FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Four lean years in Shagari's Nigeria, Page 18

NEWS SUMMARY

GENERAL

Appeal by Arafat to Arab leaders

Palestine Liberation Organisation chairman Yassir Arafat, facing defeat after heavy fighting in the Lebanese city Tripoli, issued an appeal to Arab kings and heads of state yesterday.

He asked them to intercede with Syria and Libya to stop what he described as an "imminent massacre" of Lebanese and Palestinians in northern Lebanon.

Mr Arafat told them that Syrians and Libyans "along with other lackeys" were shelling the city and refugee camps with rockets and heavy artillery. He said that the opposing forces had 154 heavy guns and 90 rocket launchers. Earlier story, Page 4

Schmidt to retire

Former West German Chancellor Helmut Schmidt, 64, vice-chairman of the Social Democrats, said he would not stand again for parliament.

FitzGerald's trip

Irish Premier Dr Garret FitzGerald is to visit Bonn on December 1 for talks with West German Chancellor Helmut Kohl.

Polish law change

Poland's National Defence Committee was due to be given wider powers, which formalised the military's role, under a law change put before parliament yesterday. Page 3

Philippines move

Philippines' ruling New Society Movement approved a new succession procedure for the presidency. President Ferdinand Marcos's wife Imelda resigned from the country's executive committee, and repeated that she would never run for the presidency. Page 4

Priests resist

Catholic priests in East Germany followed Protestant pastors in condemning government petitions calling on workers to welcome the stationing of new Soviet missiles in East Germany. Page 3

Five shot in Lyon

An Algerian man shot dead five people from a window in an immigrant hostel in Lyon, France, and seriously wounded three others. He gave himself up.

Swiss crisis

The Social Democrats, members of Switzerland's four-party coalition Government since 1959, have threatened to go into Opposition. This could happen if parliament votes to appoint a minister "with little or no support" in the party. Page 2

Container mystery

Sweden's Foreign Ministry said that four containers, suspected of containing smuggled U.S. computer equipment bound for the Soviet Union, may have been abandoned at the port of Helsingborg. No attempt has been made to open them.

Goncourt winner

Frederick Tristan, a novelist with a taste for hoaxes and pseudonyms, has won France's foremost literary award, the Prix Goncourt, with Les Egarés (The Lost Ones), a labyrinthine work about a writer who works in obscurity while letting another claim his successes.

Briefly . . .

Greek and Turkish Cypriots staged rival rallies over the Turkish declaration of a separate state. Page 2

BUSINESS

Dollar at 8-month high against £

● STERLING fell 60 points to $1.464, its lowest against the dollar since late March. It also dropped to DM 3.96 (from Friday's DM 3.98), FFr 12.0375 (FFr 12.0925), SwFr 3.2025 (SwFr 3.2175) and Y344.75 (Y347.25). Its Bank of England trade-weighted index logged before the close, was unchanged at 83.6. In New York it closed at $1.469. Page 37

● DOLLAR eased to DM 2.7045 (DM 2.706), SwFr 2.187 (SwFr 2.1875) and Y235.5 (Y236.1), but was unchanged at FFr 8.2275. Its trade weighting rose from 128.7 to 128.8. In New York it closed at DM 2.6995; SwFr 2.177; FFr 8.21 and Y235.15. Page 37

● MONEY MARKETS section of the FT Currencies, Money, and Capital Markets reports (Page 37 today) has been redesigned to give more coverage of international, particularly U.S. interest rates.

● LONDON: FT Industrial Ordinary index fell 2.6 to 718.8. Some Government securities showed modest gains. Report, Page 31. FT Share Information service, Pages 32, 33.

● GOLD fell $1.5 in London to $374.625. In Frankfurt it fell $2 to $374.25, and in Zurich it was $2 down at $374.5. In New York the Comex November settlement price was $376.10. Page 36

● WALL STREET: Dow Jones index closed up 17.78 at 1,268.80. Report, Page 27. Full share listings, Pages 28-30

● TOKYO: Nikkei Dow index rose 21.95 to 9,400.78. Stock Exchange index gained 1.48 at 698.27. Report, Page 27, Leading prices, other exchanges, Page 30

● TEA prices continued to rise in London. At the weekly auction the average for quality grade tea was 17p up at £2.67 ($3.91) a kilo. Page 36

● FRENCH Government looks likely to reduce further, possibly to zero, next year's allowed growth rates for standard bank credits. Page 2

● WEST GERMANY: Continuing sluggishness in investment by manufacturing industry remains a black spot in an otherwise improving outlook, says the Munich-based IFO economic research institute. Page 29

● SOVIET UNION has continued to expand foreign trade in recent years, despite recession, and has not had to curb imports, says world trade organisation Gatt.

● NIGERIAN National Shipping Line is planning to spend about $400m on up to 15 cargo and container vessels. Page 5

● SOUTH AFRICA sharply criticised a Bill published by the U.S. Congress last week restricting the U.S. Government's discretion in approving IMF loans to South Africa. Page 4

● FORD MOTOR of UK made a final pay offer worth 7.5 per cent to its 44,500 hourly-paid workers – well above the inflation rate. Page 29

● MERCURY SECURITIES of UK, parent of merchant bank S.G. Warburg, gained stock exchange approval to buy 29.9 per cent of stockjobbers Akroyd & Smithers for £40.9m ($59.9m). Lex, Page 20. Details Page 26. Warburg in the Euromarkets, Page 38

● ITT, the U.S. telecommunications group, announced its long-awaited entry into the personal computer market with a 16-bit, IBM-compatible business orientated machine, which is to be unveiled at the Las Vegas computer show next week. ITT to develop its Spanish operations, Page 21

IMF warns Italy of need for new economic package

BY JAMES BUXTON IN ROME

The International Monetary Fund has warned the Italian Government in strong terms of the potentially disastrous consequences to be expected if it does not at once make a major effort to put its finances in order.

The IMF says that the measures proposed by Sig Bettino Craxi's centre-left Government to cut the public sector deficit would be "inadequate" even if they achieved the result intended for them – which the fund says they will not.

It calls on the Government to prepare "a substantial package of additional measures to be introduced at the beginning of 1984." The Government should "almost immediately" start talks with the unions on an incomes policy to reduce wage indexation from the same date.

The IMF's warning is attached to a 12-page letter to Sig Giovanni Goria, Treasury Minister, from Mr Alan Whittome, the fund's English-born director of the European Department. It follows the regular consultations between the IMF and the Rome Government under the IMF's article four.

In its unusually hard-hitting critique, the IMF lends its authority to many recent criticisms of government economic policy by the Bank of Italy, politicians and economists. The ministry yesterday made the letter public, no doubt because it underlines many of the points Sig Goria has been making, usually in vain.

The IMF notes that the Italian authorities are aware of the problems. "It is all the more disappointing that they have yet scarcely been tackled – only discussed."

The IMF says Italy will be entering the recovery phase of the cycle with its inflation rate more than double the average of other major industrial countries and with its balance of payments still in deficit.

The rise in the ratio of the government deficit to gross domestic product (GDP) is a "cancer", weakening "the productive potential of the economy" and a "time-bomb", threatening "future pressures on prices and the balance of payments," the fund says.

It warns that if the Government debt continues to escalate because of the failure to cut the deficit, it would lead to an "unsustainable position."

The fund says that the 1984 budget, now before parliament, which entails a public sector deficit of L90,000bn ($55bn) and a 2 per cent reduction in the proportion of the deficit to GDP, would be "a step in the right direction" if achieved, but "by itself an inadequate step."

It would still lead to a further sharp rise in the proportion of government debt to GDP and would require the maintenance of "relatively high and possibly rising real interest rates."

The IMF does not, however, think the savings the Government hopes to make in the budget will be realised.

IMF to resume normal lending, Page 4; Communists main losers in Italian local elections, Page 29

Ulster Assembly crisis as Unionists walk out

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT, IN LONDON

THE NORTHERN Ireland Assembly, the body set up by the UK Government a year ago to encourage power sharing between the Protestant and Roman Catholic communities, appeared close to collapse last night.

The Official Unionist Party, a Protestant party and the biggest single group in the assembly with just over a third of the seats, walked out. Its assembly members decided by 21 votes to four to withdraw after a terrorist attack on a Protestant congregation in Ulster on Sunday evening.

Three gunmen attacked members of the Mountain Lodge Pentecostal Church at Darkley, South Armagh. About 70 people, including 25 children, were in the church hall when the gunmen opened fire from the doorways with semi-automatic weapons.

Three church elders were killed and seven of the worshippers were wounded. The terrorists escaped by car.

An organisation calling itself the Catholic Reaction Force, previously unknown, later claimed responsibility.

In the House of Commons yesterday Mr James Prior, the Northern Ireland Secretary of State, confirmed security reports that the Catholic Reaction Force was believed to be connected with the Irish National Liberation Army (INLA).

Mr Prior, clearly worried that a Protestant loyalist group would attempt to avenge the killings, warned: "however desperate people may feel, they must not take the law into their own hands. The Government in no circumstances will permit that to happen."

Mr Prior told the Commons: "The shootings show the true nature of terrorism, and the true nature not only of those who perpetrate it but also of those who advocate and support it.

"The universal condemnation they have received from all sides of the community and from all parts of the UK and the Republic of Ireland shows in full measure the revulsion which this hideous act has aroused."

It was not clear last night if the withdrawal from the assembly by the Official Unionist Party would be permanent. Mr James Molyneaux, the party leader, is widely believed to have been totally opposed to the assembly from the start and to have been waiting for the first opportunity to withdraw.

A substantial number of party members have always been keen to participate, however, and have had the support of much of the electorate.

In a statement, the party attached two conditions to its future participation: implementation of a more stringent security policy and some move towards "administrative devolution" – by which is meant the turning of the assembly into a top tier of local government.

The Government is considered highly unlikely to meet either of these conditions.

Dubai steps in as Union Bank of Middle East board quits

BY KATHLEEN EVANS IN ABU DHABI

THE CHAIRMAN and board of directors of the Union Bank of the Middle East, the third largest bank in the United Arab Emirates, have resigned. Officials of the UAE Government say its future is assured, however.

Mr Abdul Wahab Galadari, the outgoing chairman and founder of the bank, retains his 46.6 per cent shareholding.

A temporary committee of Dubai businessmen and bankers has been appointed by the Dubai Government to take over management of the bank, according to officials. Among the committee's members are Mr Ahmed al Tayer, UAE Minister of State for Financial Affairs. Others include Mr Juma al Majid, Mr Ali Fardan and Mr Issa al Gurg, all well-known merchants and board members of other banks.

Last year, the UAE central bank introduced regulations to limit credit extended to directors of local banks to 5 per cent of a bank's total lending to any single director and 25 per cent for the whole board. This has caused considerable difficulties for a number of local banks in the UAE, particularly those whose ownership is dominated by families or individual merchants. The central bank set a deadline of the end of this year for local banks to comply with the regulations.

Recession and cutbacks in government spending bave placed a heavy burden on UAE banks in the form of loans to contractors and other local companies, many of which are awaiting payments from government authorities for work already carried out. As a result of the decline in oil income, ministries have been delaying payments and are many months in arrears. Mr Galadari himself is reported to be owed $40m on his non-banking business.

Various support measures for the Union Bank of the Middle East are now being considered by the Dubai government and the UAE central bank. The exact sum of money which will be injected into the bank has not yet been determined, but figures cited by bankers in the Gulf range from $82m to $272m.

The measures are designed to underline the government's confidence in the future of the bank. Local and federal officials say the bank is in no danger, and that deposits will be fully guaranteed.

In 1977, when two banks closed their doors in a previous banking crisis in the emirates, the UAE currency board, the forerunner of the central bank, failed to act as lender of last resort. The future of Union

Continued on Page 20

Kohl adamant on missiles as protests grow

BY JAMES BUCHAN IN BONN

CHANCELLOR Helmut Kohl yesterday called on a packed and heavily fortified Bonn parliament to approve the first deployments of U.S. medium-range nuclear missiles in West Germany.

"Our security and the protection or our freedom requires a start to deployment of new American medium-range missiles," he said at the moment thousands of police were using water cannon and tear gas to push demonstrators back from the approaches to the sealed-off Bundestag.

The coalition Government's 58-seat majority all but ensures that the airlift of the first Pershing 2 ballistic missiles can begin according to Nato schedule after today's vote, despite claims by the Social Democrat (SPD) and Green (environmentalists) party opposition and by the soaked and angry protesters that they represent a popular majority against deployment.

In a mediocre speech read from a text, Herr Kohl said the two-year Geneva talks had prepared the ground for U.S.-Soviet agreement on medium-range weapons, but only if the Soviet Union gave up its effort "to maintain a monopoly of land-based medium-range missiles pointed at Europe."

Herr Hans-Jochen Vogel, the SPD parliamentary floor leader whose party overwhelmingly rejected the missiles at a conference in Cologne last Saturday, argued that it was simply because agreement was "in reach" that deployment should be stopped. While stressing his party's commitment to the Western Alliance, he accused Herr Kohl of "vassal-like fealty" damaging to the alliance and West German interests.

In his speech, the Chancellor again said the Soviet Union had shown itself ready last week to give up what Nato sees as a stumbling block to a Geneva result, the demand that the British and French nuclear weapons be counted on the alliance side in Geneva. This was denied at the weekend by the Soviet Defence Minister, Mr Dmitri Ustinov, and it is not clear in Bonn whether Moscow was deliberately creating uncertainty before the crucial Bundestag vote or genuinely had wires crossed.

The Greens, who interrupted the Chancellor's speech by marching to

Continued on Page 20

East German priests attack missiles, Page 3; U.S. nuclear film reaction, Page 4

$6m Oraflex award blow to Eli Lilly

BY WILLIAM HALL IN NEW YORK

A FEDERAL jury has awarded $6m to a man who said his mother died because she took Oraflex, the anti-arthritic drug produced by Eli Lilly, the major U.S. ethical drugs company.

The case is the first of many suits faced by Eli Lilly over the use of Oraflex, which has been associated with reports of several deaths in Europe of people who had taken the drug.

The jury's award is a major blow to the company, whose image has already suffered because of its involvement with the Oraflex affair.

It is expected that the decision will encourage others to sue the company.

Eli Lilly shares have fallen sharply following the news and closed yesterday at $85 down $2¼ . It said yesterday it was disappointed by the jury's decision and "strongly disagreed" with its findings. It said it would appeal the decision.

The latest case claimed that Eli Lilly failed to report the deaths overseas before Oraflex was approved by the U.S. Food and Drug Administration (FDA) for use in the U.S. Eli Lilly first brought the drug onto the U.S. market in May 1982, two years after it was introduced in Europe. It withdrew the drug from all markets in August 1982.

Eli Lilly said yesterday the case was "extremely complicated" and required a technical understanding of detailed medical testimony. Eli Lilly presented substantial evidence that Oraflex was not responsible for the death of the man's mother and that it acted "properly and responsibly in the development and marketing of Oraflex."

Lawyers for Eli Lilly say the jury might not have fully understood the evidence.

Traders cheer the new AT&T

By Terry Dodsworth in New York

SHARE dealing in the new American Telephone and Telegraph (AT&T) and its seven regional telephone offspring kicked off with great gusto on the New York Stock Exchange yesterday, but with remarkable, electronically controlled efficiency.

Crowds of journalists and well-wishers crammed into the galleries to watch the launch of an issue which is unprecedented in the New York exchange's eventful history. The flotation gives the market 1.6bn new shares to deal with, all belonging to eight mature companies that are each as big as the top 20 U.S. corporations in terms of assets, and which currently embrace 3.3m shareholders.

With a characteristic touch – but only a touch – of Wall Street hyperbole, Mr William Batten, chairman of the exchange, described the logistics of floating this clutch of giants as the equivalent of "launching a fleet of spaceships from Kennedy Airport during peak hours East Coast shuttle traffic."

Trading in the new shares began at 10am precisely with a huge "hurrah," but a virtually imperceptible change in the pace of the organised bustle around the trading pitches. Half an hour before, the floor of the exchange was already covered with debris, the discarded calculations of dealers who had been allowed in early to do some preparatory homework.

Exceptionally, the tickers that ring the trading floor ran a special half-hour edition giving price ranges on the new stocks – a guide which quoted spreads that were so wide that they could have been of only limited help to dealers.

Early dealing looked tentative but brisk, with every stock traded within a minute of the opening, and by 10.14am a huge deal in the new slimline AT&T was ticking up – 1.6m shares at $19, about half the recent daily volume in the old AT&T.

The New York exchange expects the advent of the dismembered telephone company to increase daily trading volume for the whole exchange by around 15 per cent, or 15m shares a day. Initially, the mechanics involve dealing in the old AT&T alongside the new, smaller company and the seven regional telephone utilities that have been spun off for anti-trust reasons.

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Lex, Page 20; Stock markets, Page 27; Eurobonds, Page 38

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EUROPEAN NEWS

ROW ERUPTS OVER LUXEMBOURG PROJECT

Threat to European satellite plans

BY DAVID MARSH IN PARIS

A NEW satellite telecommunications plan by Luxembourg is opening a significant split among European countries trying to harmonise ambitious projects in space communications.

Eutelsat, the Paris-based 20-nation organisation set up last year to handle international satellite telecommunication and TV transmission in Western Europe, says that the Luxembourg plan for a new satellite, the GDL project, could have "serious consequences" for its own communications systems.

The split, which came to the surface at a meeting last week of Eutelsat signatory nations, follows months of wrangling—still not resolved—between France and Luxembourg over another space project by the Grand Duchy for a direct TV broadcasting satellite Lux-Sat.

The latest row has come about following the formal registration of the GDL project as a multi-service telecommunications satellite which the Luxembourgers say could go into service as early as 1985.

Luxembourg is offering services from the satellite—which could cover television transmission, telephone links, or business data services—to other interested European governments and telecommunications administrations.

Eutelsat is extremely sceptical whether the Grand Duchy can launch such a satellite project in 1985. The Luxembourg authorities have not yet placed a satellite order—satellites normally take three years to build—nor have they booked launching space on a European or U.S. rocket. They are unlikely to be able to use an existing satellite already in orbit because of the technical specifications required.

However, if GDL did go into orbit, it would be in direct competition with Europe-wide services being provided by Eutelsat. This is because Luxembourg's internationally recognised orbital position gives it a satellite reception "footprint" which covers a huge area of Western Europe, including large parts of France and West Germany.

The Grand Duchy is adopting an unusually secretive approach to the GDL plans. The affair is being handled directly by the office of the Prime Minister, M Pierre Werner, who is also in charge of communications, and the country's Post and Telecommunications administration has been given few details of the project.

However, Luxembourg has filed plans with the International Frequency Registration Board in Geneva as well as with Intelsat, the Washington-based international satellite communications organisation. As one of the members of Eutelsat, the Grand Duchy has also discussed the project in Paris.

The controversy comes amid months of negotiations between France and Luxembourg over the French Government's plan to offer the Graund Duchy television transmission capacity on board the French satellite TDF 1 planned to be launched at end-1985. France believes that this offer would obviate the need for Luxembourg to launch its own Lux-Sat satellite.

Eutelsat itself launched this summer its first telecommunications satellite ECS-1, and plans two more in May 1984 and August 1985 to provide, first, television and telephone links and, later on, business services.

Dublin invites groups to bid for DBS service

BY BRENDAN KEENAN IN DUBLIN

THE IRISH Government is seeking proposals from groups interested in providing a direct broadcasting satellite (DBS) service for Ireland. The group which is eventually chosen will have a potential audience of more than 70m in Britain and Northern Europe and will have access to up to five channels allocated to Ireland under a 1977 international agreement.

The Government clearly sees these channels and the "footprint" into Britain, Denmark, parts of Sweden, the Netherlands and France as a valuable commercial asset. Mr Jim Mitchell, Telecommunications Minister, said timing was vital and the deadline for definite proposals from interested bodies is July 31. The plan is to have a DBS service in operation by the end of 1987.

Fifteen groups have been invited to submit proposals. Only four are Irish and large U.S. corporations, such as Westinghouse, are known to be interested in the potential of the Irish channels.

The plan is likely to prove controversial in Ireland and to cause some anxiety among British broadcasting companies.

The BBC has already been authorised to provide two DBS services in Britain, but Mr Mitchell and his junior Minister, Mr Ted Nealon—himself a former broadcaster—admitted that the British audience would be the prime target of the Irish service. The 3m Irish audience could not justify the capital costs of more than £100m.

Mr Nealon said he thought the new service was likely to concentrate on films. It is not clear whether all five channels will be available for television because the Government has also invited proposals for using some capacity for telecommunications.

The decision to take a commercial approach to DBS is likely to produce some hard bargaining. Mr Mitchell made clear that the proposals would have to include details of ancillary benefits to Ireland by way of employment, transfer of technology, and contracts for Irish companies to manufacture satellite components.

Netherlands unions call for pay 'gesture'

By Walter Ellis in Amsterdam

TALKS RESUMED yesterday in The Hague between the Dutch Government and union leaders over planned 3 per cent cuts in public sector pay. Negotiations achieved little over the weekend and the unions were calling for a "meaningful gesture" from Mr Koos Rietkerk, the Civil Service Minister.

In the meantime, strikes and other forms of industrial disruption continued throughout the country The Department of Posts and Telecommunications claimed that equipment was damaged by workers in 12 of its offices and the national giro system continues to be badly hit by stoppages. There have been no mail deliveries for more than a fortnight.

Amsterdam city centre was disrupted for several hours yesterday morning by demonstrating firemen. Last week, the police and ambulancemen held protest meetings.

The FNV, larger of the two union federations, has promised to step up protest actions if there is no sign of a compromise by Mr Rietkerk. The smaller CNV has gone along with this but has further revealed its lack of full-scale commitment by calling for an end to the work-to-rule by railwaymen.

There was no point in antagonising the general public, the CNV said. Rail staff appeared annoyed, however.

France expected to curb growth of bank credits

BY OUR PARIS STAFF

THE FRENCH Government looks likely to lower further—possibly to around zero—next year's allowed growth rates for Standard bank credits. This follows a sharp deceleration of credit demand this year, mainly due to the economic slowdown

The Finance Ministry is due to announce, probably next month, the new targets under the country's "encadrement" system of credit ceilings. This will accompany promulgation of the 1984 target for money supply growth, this year set at 9 per cent.

Although no decision has yet been taken, officials and bankers say a sharply lower credit target would be logical to back up the anti-inflation effort an to take account of the growing slack in the "encadrement" system which has become evident this year.

The Government in June tightened this year's growth limit for normal credits to 2.5 per cent from the 3 per cent set at the end of 1982 and last year's 4.5 per cent target rate.

Despite this, many banks, in sharp contrast to 1982, are actually lending less than the amounts set under the ceiling limits. In 1982, when demand for credits from enterprises seems to have peaked, overall bank loans expanded by three times the basic amounts set under the "encadrement" system, thanks above all to loopholes in the credit mechanism and the numerous exceptions allowed for lending to back exports, boost investment or save energy.

This year, the banks' lending to the central government to help finance the budget deficit has expanded strongly. But credits to individuals and companies have slowed for a number of reasons.

Companies have cut back investment and are now borrowing less to cover losses than in 1982. Additionally, the booming French financial markets—where new equity and bond issues by companies and state institutions have grown strongly this year—have in many cases represented a cheaper alternative to bank finance.

Bankers say that habitually large borrowers like state utility Electricité de France have cut recourse to bank loans because of buoyant bond market conditions. Also, the large oil companies—whose heavy borrowing helped drive up many bank's lending outside the encadrement limits last year—have slowed fund raising. This is because of lower investment needs, reduction of oil stocks and smaller losses (especially earlier in the year) from refinery operations.

As an indicator of the way basic credits are growing by less than their ceiling limits, the extra interest rate which banks pay among themselves for access to funds outside the encadrement mechanism has recently fallen to around ½ per cent compared with rates of around 6 per cent, and occasionally as high as 10 per cent, last year.

Nicosia rings to rival rallies

By Andreas Hadjipapas in Nicosia

GREEK and Turkish Cypriots staged rival mass rallies in the two sectors of divided Nicosia yesterday over last week's unilateral declaration of independence in the Turkish-held northern part of the island.

Some 100,000 Greek Cypriots chanting "Down with partition" and "long live independent Cyprus" packed the main square to denounce the move. About a mile away, tens of thousands of Turkish Cypriots demonstrated in support of their new state.

Both demonstrations were noisy, with loudspeakers blaring music and chants that could easily be heard by people on the other side. But they passed peacefully and there were no incidents along the heavily-fortified "Green Line" separating the two sectors.

The Greek Cypriot rally, said to be the biggest ever held, was addressed by Mr George Ladas, president of the House of Representatives, who is acting president in the absence abroad of President Spyros Kyprianou.

He welcomed the Security Council resolution branding the Turkish cypriot state legally invalid and calling for its reversal, and praised the stand of the U.S., Britain, the Soviet Union and the non-aligned countries on the issue.

"Turkey's isolation is complete," he declared.

On the Turkish side, the main speaker was Mr Mustafa Cagatay, Premier of the self-proclaimed state. He thanked Bangladesh and Pakistan for supporting the Turkish cause and criticised Britain for taking the initiative to table the Security Council resolution.

Reuter adds from Washington: Greek and Turkish Cypriot leaders set out their views to President Ronald Reagan yesterday on the independence dispute. Mr Reagan met President Kyprianou at the White House yesterday, while Mr Denktash, the Turkish Cypriot leader, has sent him a letter arguing the case for independence.

Swedish security cordon round suspect containers

BY DAVID BROWN IN STOCKHOLM

SWEDISH authorities have thrown a tight security cordon round four shipping containers landed over the weekend in the southern port of Helsingborg which are suspected to contain U.S.-made advanced electronic equipment bound for the Soviet Union.

The container cargo has not yet been opened by investigation, but the Trade Ministry will not rule out the possibility if it should remain unclaimed.

Shipping documents indicate the buyer is a "private company in another Western European country" which has not yet presented itself to Customs officials. Mr Carl-Johan Aborg, Under-Secretary of Trade, said security precautions were taken to ensure "no one under any circumstances can remove the cargo."

The containers were landed by a vessel, stopped moments before sailing from Hamburg last week under the order of a West German court. Three containers from the shipment were removed.

The U.S., which has a ban on high-technology exports to the Soviet Union, suspected that the blocked shipment contained sensitive electronic components capable of performing missile guidance and other military functions.

The arrival of the remaining four containers in Sweden presents a problem for the authorities who are anxious not to compromise Stockholm's policy of neutrality.

Sweden has no information indicating it is being used as a trans-shipment centre for Western high technology suspected to be illegally bound for the Soviet Union, Mr Aberg added.

Stockholm will hold or send back to the U.S. any shipment that can be shown to contain military equipment or which has been shipped with the purpose of evading the U.S. embargo, he stressed.

Louise Kehoe adds from San Francisco: Silicon Valley, Houston, Dallas, San Diego and other U.S. centres of electronic, military or industrial technology have been placed off limits for Russian diplomats, journalists and businessmen.

A new list of restricted areas, issued by the U.S. State Department, severely limits the movements of Russian officials and business visitors, and appears to be aimed at keeping Russians away from centres of strategic technology.

A State Department official said that the new travel restrictions have been in preparation for four years, and were formulated as a counter to Soviet restrictions on U.S. travellers laid down in 1978.

Mr Joseph Russoniella, U.S. attorney for Northern California, said that the restrictions will help efforts to stop any spying on U.S. technology.

Swiss Social Democrats threaten to quit coalition

BY JOHN WICKS IN ZURICH

THE SWISS Social Democratic Party, which has been part of the country's four-party coalition Government since 1959, has threatened to go into opposition.

Mr Helmut Hubacher, the party chairman, said in a newspaper interview that this could happen if the joint session of Parliament, meeting on December 7 to elect the new Federal Council, votes for a Social Democratic minister with "little or no" support in the party.

The Federal Council, Switzerland's seven-minister cabinet, is elected once a year

This year, the Social Democrats have as their candidate Dr Lilian Uchtenhagen, a controversial politician who would become the first-ever woman minister in Swiss history. The party apparently fears that neither she nor another "acceptable" Social Democrat will gain the necessary parliamentary majority.

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EUROPEAN NEWS

Law will widen powers of Poland's military leaders

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POWERS of Poland's shadowy National Defence Committee will be widened under a law which was due to be passed by Parliament yesterday.

It will formalise tha greatly increased role the military has played in the country since the introduction of martial law two years ago. It will also *strengthen the position* of General Wojciech Jaruzelski, Poland's military leader, who will be elected head of the Committee today.

Cabinet changes are also due today, including the demotion of Mr Janusz Obodowski, a Deputy Premier and the man in charge of the economy.

The new law gives the Natinnal Defence Committee powers reminiscent of those nf the Military Council of National Salvation, the top decision-making body under martial law until it was lifted last July.

The Committee will be able to call and administer a state of emergency and oversee the work of the Defence Ministry and the security services. It may review the economy from the point of view of defence needs and order appropriate changes in policy, and will appoint the army chief of staff, the heads of other services and local military commanders.

Provincial Defence Committees which have been overseeing local policy for two years also have their position formalised.

The appointment of General Jaruzelski as head of the committee permits him to hand over his Defence Minister post to General Florian Siwicki, the present chief of staff, and opens the way to his surrendering the premiership some time in the future.

The changes in the cabinet involve the replacement of Mr Obodowski by Mr Zbigniew Messner, an academic economist and head of the Communist Party in Katowice, the country's main industrial centre.

Mr Obodowski will remain a Deputy Premier but with responsibility for trade with Comecon. His job as head of the Planning Commission will go to Mr Manfred Gorywoda who is also the party secretary responsible for the economy. Mr Zbignew Madej, a respected economist who now has dealt with foreign trade as a Deputy Premier, has refused an offer to head the national bank.

Defenders of decentralising economic reforms have long criticised Mr Obodowski's decisions as running counter to the spirit of those reforms, but his demotion is more a result of failure to bring about recovery than a victory for the reformers.

The bureaucracy is left as strong as ever.

His demotion, ironically, comes as Parliament is about to approve changes in the reforms which will reduce even more the independence of individual enterprises.

Furthermore, the cabinet changes leave in place men like Mr Zbigniew Szalajda, thought to be impatient with the intricacies of the reforms. And Mr Messner comes from Katowice a stronghold of heavy industry and apprehensive that the reforms will endanger its dominant position in the economy.

Brussels proposes time off for parents

By Ivo Dawnay in Brussels

THE European Community's perennially progressive social affairs directorate yesterday published plans for radical improvements in "family policies" of member states which are certain to infuriate parts of Europe's business community.

A draft directive, adopted on the initiative of Mr Ivor Richard, the British Social Affairs Commissioner, proposes guaranteed minimum parental leave of three months for both parents within the first two years of a child's birth. These come in addition to existing maternity and paternity leave provisions.

Under the proposal, member states would be required to establish common legislation ensuring equal treatment of both parents.

The European Commission has stopped short, however, of insisting that such leave—to be taken separately by each parent—is paid by employers. This, it acknowledges, would be a little much to ask in the current economic climate.

Nevertheless, it innocently suggests that if an allowance is provided this should come from public funds. "The cost," it suggests without a hint of scepticism, "should not be overestimated especially given the possibility of replacing workers on parental leave with unemployed people."

Though the proposals are certain to be opposed by many employers as an additional cost to business, the due processes of legislating are already underway. The draft directive will now move to working parties, before being presented to member states through the Council of Ministers for approval, perhaps within the next 12 months.

Parental leave arrangements throughout member states vary radically and do something to dispel traditional presumptions over the various nationalities' attitude.

In child-loving Greece, for example, just 12 weeks paid leave is given, with a similar period allowed in the usually progressive Netherlands.

For the UK, where the population is better known for its love of dogs, mothers are allowed up to 40 weeks for child care of which 18 are paid.

Whether, however, the British Government will warmly embrace the EEC proposals was the subject of some doubt yesterday. Seasoned observers suggested that the mother in Downing Street was unlikely to be over enthusiastic.

Companies in Athens are confused, reports Andriana Ierodiaconou

Greece loses offshore attraction

THE 350 foreign companies which maintain offshore headquarters in Athens are in a state of confusion over whether the Government wants them to go or to stay.

The companies set themselves up in Greece under a law passed 16 years ago by the colonels' regime, designed to make Athens a major offshore business centre for the Middle East. Law 89 has been a considerable success, attracting companies which were keen on taking advantage of the country's proximity and extensive air links to the Middle East and North Africa and the relatively inexpensive and amenable living conditions.

In return the offshore companies—many of which moved to Athens after the collapse of Beirut in the 1976 Lebanese civil war—bring about $250m (£170m) per year in much-needed foreign exchange to Greece.

But for the past two years, the Socialist Government of Dr Andreas Papandreou has maintained an ambivalent attitude towards Law 89 companies.

The Government's approach tn Law 89 has been that of a radio buff with a mute set and a weekend tn spare—it tinkers with bits of it, then stands back to see if it works. One bit of tinkering a year ago raised the bank guarantee payment for offshore companies retroactively from $5,000 tn $50,000. Another did away with the privilege of sending registered mail out of the country uninspected. All the while the National Economy Ministry was reassuring offshore companies behind the scenes that Greece still welcomed their business.

Offshore companies

So far, most companies have decided to live with these changes, though there has been some drop in the number of offshore companies applying to set up in Greece. But the offshore community has remained nervous—and now the Government is tinkering again.

This time it is eroding a privilege which Law 89 companies prize—the exemption from social security contributions for non-EEC employees of offshore firms to IKA, Greece's main national health and pension scheme.

The exemption, which dates back to the junta period, applies mainly to American, Japanese and Arab staff. Offshore companies pay IKA for EEC country employees to comply with Community regulations. Most other non-EEC European countries are covered through bilateral agreements with Greece.

Heavily in debt to state banks and anxious for extra income, IKA has been straining to tap Law 89 firms for some time. Previous conservative administrations have held it back, sensitive to the likely reactions from the offshore community. The legal position on whether companies are actually obliged to pay IKA contributions under Law 89 is confused, following a series of mutually contradictory IKA circulars.

But over the last two months, IKA inspectors have started to knock on offshore company doors. Last month they claimed their first casualty. 3-M Design Group, the American consultants, decided to close down their international headquarters in Athens after being ordered by a Greek court to pay IKA 10m drachmas (£70,200) in retroactive Social Security contributions. Disturbed by the 3-M case, Law 89 companies have submitted a report to the National Economy Ministry which warns that a blanket demand for retroactive IKA dues would cause serious problems for most established offshore companies in Greece.

Law 89 firms are not impressed by the National Economy Ministry's argument that IKA is an autonomous organisation and that the Government can not and should not, interfere with its decisions. Nor, as it happens, is IKA—which is anxious not to bear the responsibility for a mass flight of offshore firms from Greece. "We do what the Ministry tells us," one senior IKA official said flatly.

Disturbing issue

But beyond the financial implications, executives say the IKA issue is disturbing because it is symptomatic of the uncertainty which continues to plague relations between the offshore community and the Government. "Having to pay IKA is a bitter pill which soma companies will swallow and some won't," one said. "But the real problem for two years now has been the lack of clear ground rules. What we want the Government to do is to produce clear legislation on what offshore firms can or can't dn in Greece and not keep changing, or interpreting bits of the law at whim."

Indonesia may order A-320s

By Michael Donne in London

AIRBUS INDUSTRIE, the European airliner manufacturing group, is likely to win orders for its proposed new A-320 aircraft in Indonesia if it allows parts of the aircraft to be built in that country.

This message emerged strongly from recent discussions in Indonesia between M Claude Cheysson, French Foreign Minister, and Dr B. J. Habibie, president of PT Nurtanio, the Indonesian aircraft manufacturer and Minister of Technology.

M Cheysson said after meeting Dr Habibie that Indonesian production of parts for the Airbus A-320 would help to achieve sales in that country.

Dr Habibie had earlier said that Indonesia would consider buying A-320 Airbuses if the European group agreed that some parts were built by Nurtanio.

The precise parts in which Nurtanio is interested were not revealed, but the company is one of the most advanced aerospace manufacturers in South-East Asia.

White wines in demand

By Edmund Penning-Rowsell in London

WHITE WINES were particularly in demand at the Hospices de Beaune auctions at the weekend. Price comparisons were difficult because nine cuvées were sold this year compared with six last year.

The reds – in a vintage considered superior to 1982 – were up about 19 per cent.

Among the top white wine prices for a cask (equals 24 dozen bottles) were FFr 50,000 ($6,000) for Corton Charlemagne and François de Salins, FFr 29,500 for Meursault Genevrieres Boudot

E. German priests join criticism of missiles

BY OUR BERLIN CORRESPONDENT

ROMAN CATHOLIC priests in East Germany have joined Protestant pastors in condemning government petitions calling on factory and office workers to welcome the stationing of new Soviet missiles in the country. Moscow has said it will deploy them if new U.S. missiles are sited in West Germany.

The priests urged their parishioners not to sign the petitions which include a promise to work an extra day each month to help offset the cost of the Soviet missiles. The petitinns are being withdrawn in some parts of the country because workers have refused to sign them.

The Protestant church representing some 8m East Germans had earlier condemned, at national and local synods, the stationing of new Soviet missiles. Further criticism is expected from the synod in Magdeburg district at the end of this week. A youth pastor there, Herr Lothar Rochau, was jailed for three years in September for his activities in the independent peace movement.

In Leipzig, nearly 50 East Germans carrying banners appealing for nuclear disarmament in East and West demonstrated on one of the main streets.

AP adds from Budapest: Hungary, unlike East Germany and Czechoslovakia, has no plans to deploy Soviet missiles, according to a senior Communist party official.

"In view of Hungary's geographical and geopolitical position, the need to deploy medium-range missiles here has not arisen," Mr Gyula Horn said on television.

Purchasing power declines widely throughout Europe

BY BRIAN GROOM, LABOUR STAFF

THE MAJORITY of employees throughout Europe have lost purchasing power this year because of government pay policy measures and constraints on collective bargaining arising from the recession and companies' attempts to remain competitive.

Incomes Data Services, a London-based research company, says in a survey that many governments have frozen pay, restricted the automatic indexation of pay to price inflation, or clamped down on sick pay and minimum wages.

EEC unemployment rose to 10.5 per cent in October from 10.4 per cent the month before, Eurostat reported yesterday, AP-DJ reports from Brussels. The number of jobless was 12.1m in October, a rise of 100,000 from September.

The trend is likely to continue into 1984.

"On pay indexation, the French Government is seeking to dismantle the country's informal system, while the Belgian Government has restricted theirs for much of 1982 and 1983; the Danish Government has suspended indexation completely until early 1985, and it continues to be a major subject of controversy in Italy," says IDS.

It adds: "Pay was frozen for five months in both France and Denmark, while the statutory minimum wage in the Netherlands has been frozen all year, and is likely to be cut from January 1984."

Incomes Data reviews pay trends in the U.S. and Europe in a special edition of its international report. Agreements to cut pay are so far restricted to the U.S.—in steel and construction, for instance — and even there the Chrysler agreement to restore wages lost in previous deals has led to speculation that an economic upturn will put an end to pay restraint.

In France, successive governments have attempted to break pay indexation. IDS gives President Francois Mitterrand a better chance because of support from the two biggest trade unions, stabilisation of unemployment, the Government's efforts to redistribute wealth, and the worsening economic situation.

Hourly earnings in Belgium rose by 4 per cent in the year to June 1983, while prices rose by 7.3 per cent. The Government has allowed no pay rises in 1983 and 1984 apart from those arising from indexation agreements, which have themselves been restricted.

In Italy, ministers have hinted at further reforms of the *scala mobile* wage indexation system, after amendments last January.

The Dutch Government is considering a 3.5 per cent cut in all minimum wage levels from January 1.

IDS International Report 205, 140 Gt Portland St, London W1.

Steel output up in West

BRUSSELS—The world's non-Communist countries made more crude steel last month compared with very depressed levels prevailing a year ago.

New monthly figures from the International Iron and Steel Institute showed that countries reporting to it produced 36m tonnes in October, 18.6 per cent more than in the same month last year.

U.S. output rose 42.5 per cent to 6.8m tonnes; Canadian 52.7 per cent to 1.2m tonnes. Japanese production was up 10.2 per cent to 8.3m tonnes; EEC up 21 per cent to 10.1m tonnes.

Reuter

OVERSEAS NEWS

Arafat loyalists appear close to final defeat

BY PATRICK COCKBURN IN BEIRUT

PALESTINIAN forces loyal to Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, appeared to be close to final defeat yesterday after a weekend of heavy fighting.

The rebel PLO men, supported by tanks and Syrian artillery, have thrust down the coast road from the north to within 500 yards of Mr Arafat's headquarters.

Firing subsided yesterday, but both Mr Arafat and local police say there is no ceasefire and the rebels are regrouping.

Standing outside his headquarters, Mr Arafat was not optimistic. He claimed that three supply ships on their way to his men had been intercepted by Israel. "Syrians and Libyans besiege us by land and the Israelis besiege us from the sea," he added.

The Arafat loyalists have consistently accused the dissidents of being only a front for Syrian and Libyan plans to take over the PLO.

Some supplies have been getting through to the shrinking pocket held by Mr Arafat's men, according to local leaders. They claim that a shipload of arms and ammunition sent by Iraq has reached the city in the past few days and that two small boats have delivered fighters loyal to Mr Arafat.

The people of Tripoli looked dazed yesterday as they surveyed the damage caused by shellfire. Many cars were seen carrying peopla south out of the city on the coast road to Beirut.

In addition to Mr Arafat's weary fighters, the streets yesterday were filled with militiamen belonging to the Islamic fundamentalist Tawhid (Unification) group led by Sheikh Said Shabaan. He has said his men will stand and fight with Mr Arafat.

Sheikh Shabaan commands some 2,500 to 3,000 men who form the largest of Tripoli's many militia groups. They have long fought against Syria's allies in Tripoli and fear that they may share in the consequences of Mr Arafat's defeat.

The fundamentalist fighters are reinforcing the PLO loyalists at the barricades in the north of the city. Here, beside the banana plantations, the rebels can deploy their Syrian-supplied tanks.

Whatever the valour of Mr Arafat's men and their local allies, they have no counter to the tanks and heavy artillery support which their enemies can command.

Some 55 miles to the south of Tripoli, fighting broke out in the south of Beirut yesterday between the Shia militia, who rule the area, and the Lebanese army. The south of the city is the stronghold of the Shia sect and local leaders are increasingly hostile to the government of President Amin Gemayel.

Antipathy to the government by Druze and Shia is likely to be increased by the immediate handing over to Israel of the pilot of a plane shot down on Sunday.

Philippines succession procedure approved

PHILIPPINES PRESIDENT Ferdinand Marcos' ruling New Society Movement yesterday approved a definitive succession procedure to be implemented in the event of the President's death or in capacitation, our Foreign Staff writes.

There have been persistent rumours concerning the President's health, and the lack of a firm succession procedure has made foreign creditors hesitant.

Mr Marcos' party has now agreed to present a parliamentary resolution to restore the post of Vice-President by 1987, when elections are next due.

● Mrs Imelda Marcos, the politically powerful wife of President, has, as forecast, resigned as a member of the country's Executive Committee, the inner-cabinet which decides economic and political policies. She repeated yesterday that she would not run for President.

Japanese output up

Japanese industrial production in the July-September period rose to a record, helped by brisk exports, hot weather and other factors, the International Trade and Industry ministry said, Reuter reports from Tokyo. The adjusted industrial production index (base 1980) rose 3.3 per cent in the quarter to a record 106.2 from the April-June period, against a previous high of 103.2 in the January-March quarter of 1982.

Indian trade deficit

India's trade deficit narrowed to Rps 12.81bn in April/September this year from Rps 18.58bn in the same 1982 period, according to customs cleared figures, Deputy Commerce Minister P. A. Sangma said, Reuter reports from New Delhi.

Malaysian deadlock

Malaysia's hereditary sultans and leading politicians at a weekend meeting failed to end the deadlock over proposed constitutional amendments to curb the power of the monarchy, Reuter reports from Kuala Lumpur.

Rebellious South and sick economy dog Sudan's leader, writes **Charles Richards**

Turmoil at home as Nimeiri holds U.S. talks

PRESIDENT JAAFAR NIMEIRI of the Sudan, who is in Washington this week as part of a four-nation tour of the U.S. and Europe, has left behind a country still uncertain about his recent application of Islamic law and facing chronic economic problems and a worsening security situation in the South.

Last week's kidnapping of 11 Western technicians—who were released over the weekend—by southern Sudanese rebels marked an internationalisation of the security problem.

The hostages were taken as part of a campaign against what was perceived in the largely pagan and Christian South as an attempt at domination by the Arab Moslem majority in the North, culminating in the introduction of Islamic, or *Sharia* law in September.

But beyond this example, there is evidence of more widespread unrest in the South. Banditry is on the increase, partly as a result of the return to tribal homelands of people uprooted by division of the South into three smaller administrative regions.

More seriously, there has been a series of attacks on police posts by armed anti-Government rebels of the Anyanya II group, named after the guerrillas who led the fight in the 17-year civil war until 1972.

The kidnapping—which the Government has blamed on Ethiopia and Libya—was timed to cause maximum political embarrassment to President Nimeiri, on his European and U.S. tour. The rebels demanded the repeal of the *Sharia* law and a stop to work on two major projects: the 1,425 kilometre oil pipeline from Bentiu to Port Sudan in the North, and the Egyptian-Sudanese Jonglei canal irrigation project.

The Government sees these as vital to the economic future of the country. Southerners see them as an exploitation of their own natural resources by the North without any gain for them.

The West has a big stake in developments in Sudan, as the country occupies a major place in Washington's strategy as a buffer between unfriendly regimes in Libya and Ethiopia and as a protection for Egypt's southern flank.

Southerners, who make up one third of Sudan's 23m inhabitants, were dismayed by President Nimeiri's surprise introduction of Islamic law. They resented the fostering of an Islamic identity on a country with such rich ethnic and religious diversity.

Even in the North the introduction of *Sharia* has not gone unopposed. Sadiq El Mahdi, a leader of the Ansar sect which accounts for a quarter of the 18m northern Sudanese, called for a package of measures to create a more Islamic system rather than just a penal code.

He argued that harsh penalties such as amputation of hands for certain types of theft should not be introduced until the country could provide for all its citizens, that such a decision should be taken in consultation, and that in any case President Nimeiri was not himself suitably qualified to introduce the code as a good Moslem.

Mr Sadiq El Mahdi was promptly arrested with a number of Ansari leaders. But Mr Nimeiri can take heart at the failure of Mr Sadiq El Mahdi's supporters to demonstrate in support of their arrested leaders.

Increasingly, the introduction of *Sharia*—which at first was regarded as either a cheap ploy to win Saudi economic support or a desperate act to divert attention from more pressing domestic problems—is being seen as a shrewd tactical move on the part of President Nimeiri.

It has to a certain extent headed off mounting criticism from Islamic groups, and the President has managed to exploit the support he enjoys from the Moslem Brotherhood to forestall further demands.

But he has so far held off applying *Sharia* in the unwilling South, thanks in part to advice from Egypt, which is tied to Sudan by a Defence Pact and Integration Charter. If unrest increases further there, Mr Nimeiri may be forced to use greater force than a reluctant army to confront the rebels. This in turn risks fomenting discontent in the armed forces.

Mr Nimeiri, who owes his position to a military coup in 1969, uses a carrot and stick policy to keep the army loyal. He carries out frequent purges of dissenters, and at the same time pampers senior officers.

Last year he set up a sprawling business venture with himself as chairman and the army in control, the Military Economic Board of Corporations (MEC). MEC's declared purpose is to provide goods and services needed by the armed forces, but it is really a device to allow senior and recently-retired army officers to go into business.

Sudan's most serious long-term problems are probably posed by the economy. The country imports all its oil, has an external debt of $7.8bn, and relies for export earnings almost exclusively on one crop, with a depressed world market, cotton. Inflation is currently between 40 and 60 per cent per year.

The prospects look grim. A mission from the International Monetary Fund (IMF), to which Sudan has had to turn for balance of payments support, left Khartoum at the beginning of last month without the hoped-for agreement on a new standby credit facility. This has serious implications for the Paris Club of Western creditor countries and the World Bank's consultative group, which were to meet after the IMF visit to discuss rescheduling Sudan's debt.

The IMF recognised some improvement in the balance of payments resulting from the doubling of the cotton crop to 1.2m bales. But the mission expressed disappointment that money supply targets had been exceeded and that there were at least three rates of exchange for the Sudanese pound. Most worrying in the Fund's view was the import of certain key commodities—wheat, oil, sugar, medicines—at the official, overvalued exchange rate, thereby providing a hidden subsidy.

Sudanese banking officials point to a number of reforms they have already made, including a credit squeeze and import restrictions. Their long-term hopes are pinned on the north-south oil pipeline, although revenues from oil are unlikely to amortise the debt on the pipeline for at least six years.

With no new sources of export revenue in sight it will be at least 10 years before Sudan can possibly recover in the view of most bankers. The question in many people's minds is: although he has no rival in sight, how long can President Nimeiri stave off populat discontent et the further unpopular economic measures he will be obliged to take?

'Stop fighting' plea issued to rebels

SUDAN yesterday appealed to rebels of the largely Christian southern Sudan operating both from within and outside the country to stop fighting and rejoin the Moslem government. The plea is part of Khartoum's efforts to develop the resource-rich southern region, our Foreign Staff writes.

Mr Daniel Acott, Governor of the Upper Nile Region, said in London that he appealed "ardently to our brothers and sisters to stop fighting, to come back to us, and join hands for the reconstruction of our country."

His appeal followed accusations by Sudan that Ethiopia had concentrated more than 1,000 troops and some Soviet advisers on its border in preparation for an attack on the border town of Kurmuk in the Blue Nile province.

In response to Sudan's accusations, Ethiopia has alleged that the talk of an invasion is a ploy by President Nimeiri to facilitate his talks in Washington for more aid. This is running at $40m of military aid a year and $200m of economic aid.

Recently Sudan also accused Ethiopia of aiding anti-government rebels who kidnapped 11 foreign technicians. They have since been released.

Gas well blow-out still not under control

A GAS well in Iran's offshore Feridoon field, which blew out on November 10, had still not been brought under control yesterday, writes Mary Frings in Babrain.

Heavy fog was hampering the work of the control team, but the platform, named as F-14, is not burning and the leakage of oil is reported to be small.

Meanwhile, it was confirmed yesterday that a leaking well in the nearby Nowrooz field had been capped by the Iranians on September 18.

Confirmation came from Mr Khaled Fakhro, director of the Bahrain-based Marine Emergency Action Centre. He said the well was on No 3 platform, which suffered collision damage in February.

South African anger over curb on IMF loans

BY BERNARD SIMON IN JOHANNESBURG

THE South African Government has sharply criticised a Bill passed by the U.S. Congress last week restricting the U.S. Government's discretion in approving nlternational Monetary Fund loans to South Africa.

Mr Owen Horwood, Finance Minister, said in a statement that the U.S. should "rather assist South Africa in moving resolutely in the direction of further liberalisation of constraints on labour and capital mobility than be a party to exclnding South Africa from any future use of fund resources."

The Bill passed hy Congress bars Washington from supporting any South African loan reqnest unless the Treasury Secretary certifies that a credit would help reform Pretoria's racial policies in the labour field and benefit the country's black population.

Mr Horwood criticised the Bill as "nolitical interference" in the operations of the IMF. He said that it "would create a dangerous precedent and could signify the beginning of the end of an institution which has thus far acrupulously avoided political interference."

South Africa negotiated an SDR 1bn credit from the IMF last November. But the loan was approved only after strong criticism from several executive directors of curbs on labour mobility in South Africa imposed by influx controls and other apartheid laws.

IMF missions to South Africa are also believed to have singled out these policies as a key constraint to the country's economic progress.

● South Africa's inflation rate fell to 10.7 per cent in the year to October, from 10.9 per cent in the 12 months to August and a peak of 16.5 per cent last May. Several economists forecast that the rate will drop into single digits early in 1984 for the first time in more than a decade.

AMERICAN NEWS

October rise for U.S. personal income

By Stewart Fleming in Washington

PERSONAL income in the U.S. rose by 1.2 per cent in October, the strongest gain recorded in the current economic recovery.

But officials suggested that exceptional factors boosted the figure. These included the aftermath of settling the August-September telephone industry strike.

Personal income has attracted particular attention as it has been one of the few economic indicators that has been growing significantly more slowly than expected relative to the rate of growth of gross national product.

Consumers have been relying heavily on borrowing and reductions in savings to increase consumption. Thus, in the first nine months of the year, spending has risen at a 9 per cent annual rate, while personal income has grown at a rate of only 8 per cent.

Some economists have suggested that unless the rate of personal income growth accelerates, the rate of growth of GNP will have to slow down, since consumers will not be willing to continue running down savings or increasing borrowing at the rate set earlier this year.

In October, there was evidence that consumers were already retrenching. Personal spending rose only 0.5 per cent, compared with a rise of 1.3 per cent in September.

IMF set to resume normal lending after U.S. pledge

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE International Monetary Fund is expected to drop its current loan restrictions at a meeting of its Executive Board on November 30.

The reversion to normal lending, which will mean that loans to hard-pressed countries such as the Philippines and Nigeria will be eble to go ahead, bas been made possible by last week's Congressional vote authorising the $8.4bn U.S. contribution of the planned increase in IMF resources. This vote has paved the way for the IMF to finalise loans totalling SDR 6bn ($6.3bn) from Saudi Arabia and the central banks of leading industrial countries.

In September, the IMF began to ration new lending because of the failure of member Governments to top up its funds, which have been seriously depleted by lending to Latin America this year.

Until now, for example, it has not been able to promise the Philippines that the full $655m in loans that it is seeking will be available.

The Central Banks of the Group of 10 leading industrial countries (exclnding the U.S.) and Saudi Arabia told Mr Jacques de Larosiere, IMF managing director, in Basle this month that they were only prepared to finalise their SDR 6bn loan package once the quota subscription increases had been ratified by member governments.

President Reagan is expected to notify the IMF formally this week that the U.S. has now approved its increased subscription, but this will still leave the IMF below the 70 per cent approval level needed for the quota increases to be implemented. Some major countries, such as Germany, with a quota share of 5.3 per cent, have yet to ratify their increased share in the Fund.

Partly for this reason, the SDR 6bn loan is not expected to be completed immediately. Central bankers yesterday said they expected a final decision to be made at their next meeting at the Bank for International Settlements in Basle on December 12. This will give them a chance to discuss in detail how the loan should be shared out among lending countries and when it should mature.

The delay is unlikely to affect the IMF's decision to resume normal lending from the end of this month as it should be clear by then that the SDR 6bn loan package is actually in the pipeline.

Meanwhile the IMF has ebout SDR 10bn in readily avalable cash, although its accounts also show that it needs to borrow at least SDR 4.5bn to meet all the loan disbursements to which it is currently committed.

Chile may readjust loan target

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

THE FALL in the international price of copper is expected to force Chile to readjust its 1984 borrowing target. The budget, currently being discussed with the International Monetary Fund, had projected needs of $700m, based on a copper price averaging 82 cents per pound.

However, the metal price bas fallen and is hovering at around 62 cents. Bankers believe it is unlikely to rise significantly and are predicting that Chile may have to seek $1bn. The Chilean Central Bank is apparently considering this as a target.

Copper exports account for 80 per cent of Chile's $3.4bn export earnings. It is understood that between 15 and 20 per cent of copper earnings are earmarked for military expenditure. The Chilean armed forces have been negotiating to purchase a number of items from the UK, including HMS Antrim, the destroyer that took part in the Falklands conflict, and 12 used Jaguars from the Royal Air Force.

Arms spending could be cut as the Chilean Government is anxious to obtain IMF approval for modest reflation by raising investment in industry and pumping more money into housing and unemployment assistance programmes to offset social unrest. According to the agreement with the IMF in March, Chile undertook to hold the public sector deficit down to 2.3 per cent of GDP. This appeers to have been achieved, but the reserve loss has been greater than the $600m specified by the Fund.

This resulled in a new loan of $1.3bn provided by Chile's international bankers in July. Despite this, Chile is now trying to obtain IMF backing to raise public spending in 1984 to around 5 per cent of GDP. The IMF is not due to report on talks with the Chilean authorities until early in the new year. Meanwhile, procedures for the rescheduling of $3.4bn worth of debt due in 1983 and 1984 have not yet been completed.

Mexico sets inflation control as priority

By William Chislett in Mexico City

MEXICO HOPES to halve its rate of inflation to 40 per cent next year and achieve a 1 per cent positive rate of economic growth after 4.5 per cent negative growth this year, Sr Jesus Silva Herzog, Finance Minister, will announce today in his annual budget speech.

The main weapon against inflation, the Government's chief priority, will be a continued tight control over state expenditure which is targeted at 11,700bn pesos ($74.5bn). This represents virtually no real growth taking into account the expected inflation.

The Government is, however, confident that the economy will begin to come out of its two-year recession. The base for expansion is very low.

A special contingency fund of 277bn pesos, or 1 per cent of gross domestic product, will be allocated to finance labour intensive programmes, such as agricultural projects. The Government wants to contain the official level of hardcore unemployment at 8.5 per cent of the 19.5m-strong work force. (The level is unofficially estimated at closer to 13 per cent.) Over 40 per cent of the labour force is underemployed.

The fund is partly aimed at compensating for the depressed level of private sector investment which is not expected to show recovery next year. If the fund is totally used up, which is likely, then Mexico's budget deficit will be nearer to 6.5 per cent of GDP rather than the 5.5 pet cent requirement imposed by the International Monetary Fund (IMF).

It is understood that the IMF, which is very pleased with Mexico's economic progress, has agreed to be flexible on this matter.

Next year's current account surplus is estimated at about $1bn after over $4bn this year. That figure assumes a greater level of imports in 1984 after this year's bare minimum of about $8bn.

Reginald Dale in Washington reports on a TV depiction of war

Film puts bomb under nuclear debate

"NO, THIS is not the future at all," said a stern Mr George Shultz, the U.S. Secretary of State, immediately after up to 100m Americans — almost half the population—had watched a controversial TV film on Sunday night, depicting the destruction of Kansas City in a Superpower nuclear war.

Mr Schultz, who was interviewed by his living room fire and looked rather shifty, had been wheeled out as part of the Administration's slightly panicky reaction to the film, ABC-TV's "The Day After," which bas been latched onto by the American anti-nuclear movement as the centrepiece of a new drive for nationwide support.

Since Sunday, newspapers and television talk shows have been deluged with the views of administration members and their supporters, all trying to counter the presumed impact of the film and contribute to the national nuclear debate that it is supposed to provoke.

The politicians main theme, which was also taken up by Mr Shultz, is that the best way to prevent nuclear war is to support the arms reduction policies of President Ronald Reagan.

Right-wingers, like Mr William Buckley, the writer and publisher, have gone much further, alleging that the film was deliberately written to debilitate the U.S. and its will to defend itself. Other right-wing and religious fundamentalist groups have picketed ABC's offices in New York in protest and called for a boycott of the film's sponsors.

On the other side, there is a broad spectrum of American opinion which believes that the film can do nothing but good if it awakens public consciousness to the dangers of nuclear war and stimulates discussion of how it can be avoided. The White House in fact criticised the film for failing to address precisely that point.

Survivors of a nuclear blast in Kansas City, portrayed in ABC Television's film "The Day After"

Apolitical

The film's producers insist that they set out to make an "apolitical" film, depicting only the impact of a nuclear strike on a small American community. It is never clear in the film, which lasts well over two hours, whether it is the U.S. or the Soviet Union that first launches its strategic missiles. As one of tha survivors says after the attack, "we shall never know who fired first," to which another responds "what does it matter?"

The outbreak of the war is at first heard of only faintly on TV and radio sets in the background as citizens of Lawrence, Kansas, 38 miles west of Kansas City, go about their daily business in a cheerful and unsuspecting manner. The film's authors chose a pattern of escalation based on a classic Nato scenario, under which a Berlin crisis accompanied by troop uprisings in East Germany leads to a Soviet invasion of West Germany.

Nato fires the first tactical nuclear weapons in "airbursts" to halt the superior advancing Soviet forces, and it is this that has led to one of the main specific criticisms of the film by its opponents. They detect at least an implied protest against the deployment of new American Cruise and Pershing-2 nuclear missiles in Western Europe—the coincidental timing of which is widely though likely to add to the film's impact.

The film starts with idyllic scenes of daily life in the mid-west, against a background of lush farms, rolling countryside, football games and happy American faces. Throughout, it is extremely sentimental.

About half-way through the film, as the people are beginning to panic, the American Minuteman missiles are dramatically launched from their nearby silos and the local people realise to their horror that they have a maximum of 30 minutes before the Soviet missiles arrive. There is nowhere to hide.

Understated

The scenes that follow were thought unsuitable for children, even though the film was screened at prime viewing time. Bright orange mushroom fireballs are followed by vaporisation, death and destruction and ulimately the ravages of radiation sickness and the virtual breakdown of what society remains.

But the horror scenes are understated, "sanitised" in the words of one critic, and many scientists believe that the real thing would be infinitely worse. The film makes no reference, for example, to the "nuclear winter" effect, which many analysts now believe could annihilate the whole of human life by plunging the world into a long period of sub-zero darkness caused by soot and smoke blocking out the sun.

Whether it will have the consequence of sending people flocking to join the "nuclear freeze" movement is still far from clear. The Administration believes that the film can be turned to its advantage, if it plays its cards right. It will drum home the message that the best way to prevent a nuclear war is precisely through the sort of arms control efforts backed by American strength that Mr Reagan advocates, not by unilateral disarmament.

Dr Henry Kissinger immediately questioned whether Americans "should make policy by scaring ourselves to death." Millions of people will have been scared by the film, particularly as it portrays disaster befalling the sort of ordinary Americans familiar from so many other TV shows. Its showing was preceded by innumerable arrangements to put doctors, psychologists and religious counsellors on alert to cope with the effects. With the publicity and media hype that attended it, one commentator rightly described it as "less a film than a national event."

APPOINTMENTS

Formation of TSB England & Wales

The following senior appointments were made yesterday on the formation of TSB England and Wales.

Mr Philip Charlton, chief general manager, TSB group central executive, also becomes chief general manager, TSB England and Wales for an initial period, supported by Mr David Thorn, deputy chief general manager of TSB group central executive.

Six regional offices will be established at Birmingham, Exeter, London, Manchester, Peterborough and York where the remaining appointments are: Mr Alistair Boyd becomes general manager, retail operations. He was general manager of TSB South East. Mr Peter Cotterall becomes regional general manager, Birmingham, he was group training development manager at the TSB management college in Solihull. Mr John Crompton is regional general manager, York. He was deputy general manager of TSB of eastern England. Mr Charles Love is regional general manager, Manchester, having been deputy general manager, marketing, at TSB group central executive. Mr Jack Ryan has been appointed regional general manager, Exeter, having been general manager of South-West TSB. Mr Don Smith is regional general manager, London and Mr Tony Wood has been appointed regional general manager, Peterborough. Mr Brian Cooper has been appointed financial controller. Mr Alan Harris marketing controller, Mr Bruce Nichol personnel controller; Mr Harry Read computer services controller; Mr Don Gabbitas organisation and methods controller; and Mr Brian Bailey is the new premises controller.

TSB England and Wales is being formed by the merger of 10 regional TSBs and will have 5m customers running accounts in 1,260 branches and customer balances of almost £5bn.

★

DORMAN SMITH SWITCHGEAR has appointed Mr Terry V. McGhie as engineering director. He joined the BICC Dorman Smith Group in 1979 as technical manager of Dorman Smith Fuses in Workington, becoming technical director in 1981.

★

ALLSTATE INSURANCE has made the following appointments, from December 1: Mr A. B. Fisher is promoted to deputy general manager (finance) with responsibility for accounting, budgeting and planning areas, in addition to his present appointment as group investment manager in the UK. Mr W. Stanway becomes assistant general manager (controller) to assist in co-ordinating and directing the financial departments. Mr G. A. Latham is appointed marketing manager, head office, from his previous position as regional manager, Midlands/South West. Mr M. W. Brown takes over as regional manager Midlands/South West moving to Birmingham from his previous appointment as regional manager, North East. Mr J. Myers becomes commercial combined manager with overall responsibility for the development of all commercial package insurances from January 1. Allstate Insurance is part of Allstate International, of the U.S.

CONTRACTS

£88m Oman army camp for Costain

YAHYA COSTAIN LLC, a subsidiary company of the Costain Group based in Oman, has been awarded a contract by the Sultanate of Oman Ministry of Defence for the construction of an army camp to be used by the Sultan of Oman's Armoured Regiment. Overall value of the contract is RO 47m (£88m). Works are due to commence this month and to be completed by December 1985.

★

T. PARTINGTON AND SON (BUILDERS) has won two contracts worth £240,000 from the North West Water Authority to construct office accommodation at Audenshaw and Stockport.

★

Two contracts together worth more than £250,000 have been won by A. MONK & CO. For ICI at Billingham the company is to construct 12 reinforced concrete pipe caps and six trestles and reinforced concrete casing for five existing steelwork trestles; later this month the company will be starting sewer repairs and installation of glass reinforced plastic liners and construction of new manholes for the Borough of Trafford, Manchester.

★

ISAAC JONES CONSTRUCTION of Llanelli is to carry out refurbishment work and build a single-storey extension to Tesco's superstore at Haverfordwest. The £1.26m contract was let on a design and construct package basis. Approximately 14,000 sq ft will be added to the premises, and when the work is complete, customers will have an increased shopping area, offering a greater variety of merchandise, and an improved bakery. The premises are expected to be fully operational next summer. Work is starting shortly on major alterations and an extension to improve the facilities at the Cross Hands Working Men's Club, Dyfed. The contract, valued at around £75,000, will be completed in 26 weeks.

★

The Property Services Agency has awarded WALTER LAWRENCE (CITY) a £1.2m contract to refurbish a resettlement unit at 91/93 Dean Street, London W1. Work will include alterations to the existing resettlement unit at West End House and the erection of a single-storey steel framed extension at first floor level to form improved hotel accommodation. The improvements will consist of extensive renewal of mechanical, electrical, plumbing and drainage services, adaptation and replacement of external fire escapes and general redecoration. Walter Lawrence, who will carry out the work in phases, expect to complete the scheme in July 1985.

★

WREKIN CONSTRUCTION has been awarded a £900,000 Llanelli sea defence contract by Welsh Water. The project is to alleviate the possibility of flooding of the area by exceptionally high tides or other extreme sea conditions. The contract covers 3 km of sea defence west of Llanelli, from Machynys to Llwynhendy, consisting principally of sheet-piled wall with provision for a concrete pile cap. A 220-metre stretch will consist of a reinforced concrete "wave return" wall. The contract includes the construction of revetment works and three timber groynes. It is expected to be completed by spring 1985.

£84m complex in Singapore

Wisma Development, a wholly-owned subsidiary of A. W. Galadari Investments (S), has awarded $125m (£84m) contract to two Japanese firms to construct an 18-storey shopping and office complex in Singapore. The contract was signed in Tokyo with C. ITOH AND CO and TAKENAKA KOMUTEN CO. The two Japanese contractors have provided a 100 per cent completion bank guarantee, under which they will pay a penalty sum for each day the project is delayed beyond its 29-month schedule.

Balfour Beatty £22m work

BALFOUR BEATTY has won contracts totalling £22m. The northern construction division has been awarded a £15m contract by the Property Services Agency for the Ministry of Defence Office Development at Anderston, Glasgow. The project provides a dispersal facility for Ministry of Defence staff. The 30,000 sq metre office building will be constructed in four blocks with a computer suite. Car parking and landscaping are included in this 32-month contract. Two further orders for work on Terminal 4 at Heathrow totalling £4.5m bring the number of contracts awarded to Balfour Beatty for work on this site to eight. The latest awards are for the construction of an in-situ concrete, multi-storey, short-term car park and concrete works to the ticket hall and station for the extended London Transport underground railway. The London Borough of Bexley has placed an order valued at £0.86m for improvements to Crabtree Manorway. Transmitton has awarded a design-and-construct contract valued at £1.16m for an extension to its Ashby-de-la-Zouch factory, and Merseyside Development Corpn has placed a £0.62m order for strengthening and repairs to walls at Liverpool Docks with Whitley Moran, specialist concrete repair company wholly-owned by Balfour Beatty Construction. Balfour Beatty is a member of the BICC Group.

UK PENS MARKET

Why a major shake-up may be on the horizon

By William Dawkins

THE British writing-instrument industry could be heading for a major shake-up.

"Anybody who is in less than fifth place in the market is, frankly, in serious trouble," says Jacques Margry, executive marketing director for Parker Pen, the biggest pen-maker in the UK after Biro Bic. "The bigger companies are going to get bigger and the smaller ones will fall by the wayside."

In striving to poach business from one another, in what has become a text-book example of a mature market, the pen companies have come close to deadlock.

Total UK pen sales, of which Parker claims a 14 per cent share in value against Biro Bic's 30 per cent, have been static in real terms for five years while unit volumes have risen gently. Last year, according to industry estimates, the market for ink-writing instruments of all kinds was worth £162m at retail prices, representing nearly 500m units.

Until now the bigger groups have been able, albeit with mixed success, to jostle for position through competitive pricing and product innovation. There are signs, however, that their room for manoeuvre is becoming increasingly limited.

"There are too many manufacturers in the market," says Mr Terry Thorn, Biro Bic sales director. "One or two will have to go by the board."

An example of just how competitive the pen market has become is the spectacular decline of unit prices in real terms. In 1946 the average ball-pen cost £2.75, while the cheapest Biro Bic pen now costs 10p and Papermate's Kilometric ball-pen costs e mere 9.5p. Biro Bic managed only one price rise, an 11 per cent rise in September last year, in the past four years.

This has been accompanied by a bewildering avalanche of new products as makers have sought to give their medium-priced peos special characteristics, to avoid them becoming low-margin commodity items. Most makers agree that consumer demand has played little part in this trend, which was almost entirely initiated by their own competitive needs.

The best known is the roller ball, a cross between a ball-pen and fountain-pen, introduced by Pentel of Japan 10 years ago. It represents 10 per cent of all pens sold and is steadily nibbling market share from its main competitor, the fibre tip, another Japanese innovation.

Others, like the fluorescent text-marker, the erasable ball-pen and the ceramic nib, have taken a smaller share but still lodge in a profitable niche in specialist markets.

All pen-makers, however, have found it exceedingly difficult to succeed in the UK without being big enough to achieve economies of scale or without the resources of an overseas parent to support the costly development of new products.

Biro Bic, for instance, turns out 500,000 disposable ball-pens a day from its two British factories, representing 50 per cent of all pens sold and 60 per cent of the disposable market in unit volume terms. Papermate took 10 years to develop Replay, its erasable ball-pen.

Both companies are foreign-owned. Biro Bic was formed when Bic of France took over Biro Swan in 1957. Papermate, which claims a similar market share to Parker, is owned by Gillette of the U.S.

Parker is U.S.-owned, although its main manufacturing plant is in Newbaven. The other major protagonists include Pentel and Pilot of Japan and Sheaffer, Cross and Berol of the U.S.

Most of these make in the UK although imports still account for about 40 per cent of pen sales.

Against this beckground it is not surprising that small independent British pen-makers have become thin on the ground. Parker estimates that at least 10 have gone out of business since the Second World War. The only one of any size left is Platignum, which had 20 per cent of the market in the 1970s but is striving to increase its 6 per cent share.

The larger pen companies are fighting equally hard. Parker and Papermate, for instance, have been conducting a minor price war on their £5 to £7 pens, with reductions of between 10 per cent and 20 per cent. Both insist these are promotional rather than combative offers.

This is well above Platignum's 10p to £3.50p range and neither group is announcing plans for an assault on that price band. Papermate's cheapest ball-point however, already undercuts Platignum's disposable pen by 0.5p and there is clearly scope for larger companies to put pressure on Platignum's market.

Moreover, Biro Bic's grip on the cheap disposable pen market means the opportunities to make further inroads on that territory are slight.

All this has intensified the need for pen companies to broaden their product range.

Parker is investing £3.5m at its Newhaven factory in plant to produce its technologically advanced roller pen. Unlike the Pentel variety, which is fuelled by an ink-soaked wad, the Parker roller-ball runs on an ink reservoir, like a fountain pen.

It has also found room for growth at the top end of the market, with its £1,700 gold-plated Premier range of fountain- and roller-pens. The Premier, claimed to be the most expensive pen in the world, was originally budgeted to sell six in the first year. Since its launch last month, however, Parker has received 100 orders.

Papermate, Parker's closest rival, has also broadened its product lines by producing its first roller-balls and fountain-pens. These, like the Parker roller-ball, are being marketed on superior writing performance.

"The only way you can break out of the price competition syndrome is to bring out new products using meaningful new technology," says Mr Chris Dunnett, Papermate UK brand supervisor.

Pentel, meanwhile, which is similar in size in the UK to Platignum, is looking for e share of the technical pen market, traditionally dominated by Rotring, Faber and Staedler-Castell. This year it introduced a ceramic drawing-pen which competes against the steel variety on the ground it is maintenance-free.

Other specialist products it has launched this year include e disposable fountain-pen and a range of instruments for writing on computer paper.

"The type of beast that will survive in this market will be the one with a wide range of products covering a multitude of specialist uses," says Mr Julian Head, Pentel UK marketing director.

"Quite simply, if you have only one leg to stand on and somebody gives it a hefty kick, you will fall over."

Clearly, the pen companies' ability to exploit new markets with innovative products must eventually reach its limits in the UK, just as their scope for cutting prices is showing signs of doing. If that does happen, one way for them to increase market penetration might be through acquisition and mergers.

An example is Biro Bic's acquisition last September of Conte UK, the maker of art materials and school and commercial writing supplies. Biro Bic felt it could use its own outlets to improve Conte UK's market penetration.

"It's not a trend that will happen overnight," says Pentel's Mr Head. "But I can't help wondering whether certain well-established companies will soon find it hard to survive, at least in their present form."

HOW PLATIGNUM IS FIGHTING BACK

PLATIGNUM, WHICH this year celebrates its diamond jubilee, is the largest and most famous of that dwindling band of British-owned and British-produced pen companies. Its fame rested on it being the first pen company in Britain to market the stainless-steel pen nib—cheaper and more effective than gold nibs—and made its name virtually synonymous with fountain-pens for generations of schoolchildren.

Over the years, however, it has steadily declined, due in no small measure to poor marketing and e reliance on a traditional and unwieldy product range.

"The company simply rested on its laurels," says Mr David Leeming, who was brought in about 18 months ago as Platignum's managing director in a top-level shake-up after 10 years with arch-rival Parker.

Mr Leeming, 35, and oozing optimism about what he has managed to achieve at Platignum in such a short time, instigated a crash marketing programme involving new products, new design and a changed distribution pattern.

The aim is to hang on to Platignum's traditional fountain-pen market, now staging something of a comeback, to re-stimulate its share of the ball-point pen market, and to grab a larger share of the roller-ball market led by Pentel.

At the same time new plant has been installed and a factory is planned both to improve quality and to cut costs.

Mr Leeming believes the key element is better-designed products. Over the past 18 months Platignum has launched about 28 products and completely redesigned the appearance of more than 100 other items, including introducing bright, clear packaging to replace rather insipid orange and brown colours.

Mr Kenneth Grange, of Pentagram, the design consultants, was brought in to design a stylish ball-point pen range. His designs for a roller-ball pen will be unveiled at a trade show next February.

Added to the newly-designed pens has been a technological innovation—a device to ensure the firm retractability of the ball-point. This makes a loud "click." Hence the decision to call one of the new ball-points Clickit. Another innovation is an all-in-one fountain-pen nib.

Leeming admits that these products have so far only managed to arrest Platignum's sales decline of recent years (interim figures released last week showed the first real rise in sales volume for some time) although the company is still trading at a loss.

Pre-tax losses were £328,000 instead of £497,000 at the corresponding stage last year. Mr Leeming says: "It's been tougher than we expected but we feel we're now on the right track. Our cost reduction programme will mean that even a small increase in market share will work wonders for us. That can't be had for a British company."

David Churchill

Japan boosts share of West European commercial vehicles

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE JAPANESE have boosted their share of Western Europe's market for medium commercial vehicles by 1.7 percentage points to 18.3 per cent during the first nine months of this year compared with the same period of 1982.

Their increased penetration in the sector has mainly been at the expense of Volkswagen of West Germany and Ford, which makes most of the vehicles involved in the UK, informed but unofficial sources disclosed.

Total European sales of medium commercials—those up to 3.5 tonnes gross weight but excluding car-derived vans and mini vans—in the first nine months of this year were 2.5 per cent down at 485,000.

VW's share dropped 1.1 percentage points to 16.5 per cent while Ford's slipped 1.3 points to 14.8 per cent in the period.

Both companies were hard hit in their "home" markets. The Japanese share of medium commercial sales in West Germany in the January-September period rose 4.2 percentage points to 18.5 per cent while VW's share was eroded by 2.2 points to 44 per cent. In 1980 and 1981 VW had more than 50 per cent of the sector sales.

In Britain during the nine months, the Japanese market share rose by 2.1 points to 13.9 per cent. Ford, meanwhile, dropped 4 points to 38.3 per cent.

There is concern within the EEC about the increased Japanese penetration in the medium commercials market because the Europeans expected sales to remain at around the 1982 level, following talks in Tokyo early in the year. However, the Japanese insist the figures cannot be judged until the year-end.

EUROPE'S MEDIUM COMMERCIAL VEHICLE MARKET

	Jan.-Sept. 83	Over/(Under) year ago %
Total sales	485,000	(2.5)
	Share of market	
Japanese	18.3	1.7
Volkswagen	16.5	(1.1)
Ford	14.8	(1.3)
Peugeot-Citroen-Talbot	9.8	(0.6)
Mercedes	9.6	(0.2)
Fiat	8.9	1.1
Renault	8.8	0.2
BL	4.2	0.6
General Motors	4.1	(0.5)

Source: Industry estimates

In the nine months, the volume of Japanese medium commercials sales was up by over 8 per cent, from 82,000 to 88,755.

As a result, the Japanese share of total Western European commercial vehicle sales rose by 0.8 percentage points to 13 per cent during the first nine months. Total sales jumped 37.2 per cent in the period to 1,007,400.

Charles Smith in Tokyo adds: Toshiba Corporation said yesterday it had begun talks with Thorn EMI on a plan to supply the British company with compact disc audio equipment for sale under the Thorn label in Britain. The two companies are also discussing a technology transfer which would enable Thorn to start its own manufacturing operations.

Toshiba is one of a number of Japanese electronics companies which have recently started the manufacture of compact disc, a digital sound reproduction system originally developed by Sony and Philips.

U.S. cool to EEC tariff cut plan

By Paul Cheeseright in Brussels

THE U.S. Government has poured cold water on the EEC idea to link an increase in economic growth to an acceleration of planned tariff cuts.

In a transatlantic press conference, Mr William Brock, the U.S. Trade Representative, said it would be a good thing for industrialised countries to accelerate tariff cuts agreed in the 1970s' round of international trade negotiations, but the difficulty lay in attaching to that a precise "growth number."

The EEC has suggested 2 per cent, which would mean an immediate reduction by the U.S. but a delayed reduction on its own behalf.

The idea of the cuts would be to quicken growth.

On other trade issues, Mr Brock predicted more turmoil on the steel market as U.S. companies brought trade complaints against producers such as Brazil. But he thought that Gilmore Steel's complaint against Belgium and West Germany did not foreshadow a new round of complaints against the EEC.

"I'm troubled with the ad hoc method by which the steel issue is addressed," Mr Brock said, referring to the use by U.S. companies of legal procedures to address trade difficulties and the EEC system of quotas.

It was time to work for a different approach, especially towards developing country producers, he suggested.

If the EEC retaliated against the U.S. for the imposition of higher tariffs and quotas on the import of special steels, it "would be an extremely dangerous step," he warned.

Major rail links planned by 16 countries

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

SOME 16 countries have drawn up proposals to construct major new railway lines, according to a survey of railways under construction and planned to be published in Railway Gazette International this week.

The proposals for new railways exceeding 1,000 kms in length fall into main categories: those to carry minerals, such as coal, bauxite and phosphate, in developing countries; and high-speed passenger rail corridors in the U.S., Malaysia, and Saudia Arabi.

The survey shows that despite the worldwide recession, there is still considerable activity in railway construction, and that many countries view railways as a solution to their freight and passenger needs in the future.

Costing these proposals can only be on an estimated basis. As a rough guide, the consultancy work on a 1,000 km railway might be around $1m (£660m) civil engineering $500m, and the supply of mechanical equipment around another $500m.

Countries which have ambitious railway proposals include: Algeria, planning 4,233 kms of lines, some of which are replacements to existing lines and others which will be completely new and Japan, which has plans for an additional 4,635 km of new high-speed lines.

Despite the recession, railway construction still shows considerable activity, and many countries view railways as a solution to their future freight and passenger needs.

Australia has drawn up proposals to link Alice Springs with Darwin; Morocco is focusing largely on mineral and development lines to open up the south and east. Libya, with no railways at present, has proposals for a large network.

Plans have also been drawn up by Indian Railways for a west coast line: Botswana has placed a consultancy contract in the UK for the construction of a line across the Kalahari Desert; Iraq plans to replace its existing narrow gauge with 1,435 gauge; and Iran has proposals for new lines in the south east.

A 2,000 km project is being promoted by the Kagera River Basin Organisation in East Africa to give rail access to the landlocked countries of Rwanda and Burundi. Peru is planning extensions to its Central and Southern Railways.

Other large developments include a 1,400 km line in China, and a 1,600 km Gulf railway linking Basra with Muscat via the Gulf states.

Rail equipment manufacturers will be most interested in the development of the high-speed lines which have been proposed in the U.S.—the leading contenders are Los Angeles-San Diego costed at $3.1bn for the entire project and Dallas-Forth Worth-Houston—and a network along the east and west coasts of Malaysia.

Railways under construction, or where work is due to start early next year, include a 3,145 km line between Baikal and Amur in the Soviet Union, and a 910 km line from Baghdad to Basra in Iraq where tenders for construction were invited earlier this year.

In total, 43 countries have main-line railways under construction, or about to start.

Gatt begins review of work programme today

BY ANTHONY McDERMOTT IN GENEVA

A SUBSTANTIVE review at its half-way stage of a two year work programme of the General Agreement on Tariffs and Trade begins today as the world trade organisation's 90 contracting parties hold their 39th session.

The session takes place against the uncertainty of whether a world recovery from recession will take place; what will its effects be on trade and especially on the Gatt's ability to strengthen the will of its members to adhere to its rules and guide lines.

In this broad context, disappointment is likely to be expressed with efforts to establish a more efficient safeguard system "to preserve," according to the 1982 ministerial declaration, "the results of trade liberalisation and avoid the proliferation of restrictive measures."

The programme was established last November at the ministerial meeting. Most of its projects are scheduled to be completed by next year's session.

As a result, according to one delegate, there is "not likely to be much stridency" as countries make their statements and record reactions to the Gatt annual report released yesterday.

A review of the work of the Committee of Trade in Agriculture is likely to acknowledge the difficulties faced by the growth in subsidies on agricultural products—a major bone of contention between the EEC and the U.S.

There will also be a review of such issues as trade in tropical products and counterfeit goods, high technology and import surcharges.

In addition, there will be specifics such as the outcome of panel reports adjudicating on disputes between the U.S. and the EEC.

UK companies win £35m water orders

By Our Foreign Staff

TWO BRITISH companies have won contracts worth more than £35m to provide drinking water to a number of villages in Kano state, northern Nigeria.

The contracts were awarded to Hawker Siddeley Water Engineering and to Hydreq, the hydraulic drilling equipment subsidiary of the Humphreys and Glasgow group.

Two loans have been arranged by Morgan Grenfell, the British merchant bank, to finance the contracts awarded by the Kano state government. They consist of a £25.2m export credit loan facility, support by the Export Credit Guarantee Department to finance 85 per cent of the costs of offshore goods and services; and a $15m floating rate Eurodollar loan to finance the balance.

Nigeria shipping line aims to buy up to 15 vessels

BY ANDREW GOWERS, RECENTLY IN LAGOS

THE NIGERIAN National Shipping Line (NNSL) is preparing to acquire a new generation of up to 15 cargo and container vessels at a total cost of about $400m (£266m) according to executives of foreign shipbuilding companies in Lagos.

The purchase, assuming finance is available, is expected to be finalised next year, and would mark the second major expansion of NNSL's fleet following acquisition of 19 vessels from South Korean and Yugoslav companies completed in 1980.

Nigeria needs the new vessels to give it the capacity to fulfil a new shipping policy adopted last year in line with the United Nations Code of Conduct for Liner Conferences.

This stipulates that 40 per cent of freight between Nigeria and another country must be carried by ships of the supplier country, 40 per cent by the recipient, and the remaining 20 per cent by outsiders.

According to Mr C. S. Kang, managing director of Hyundai Nigeria, part of South Korea's Hyundai group, more than 10 companies, including West German, Yugoslav, Spanish, Japanese and South Korean shipbuilders, are bidding for the contract, which is likely to be split between at least two suppliers.

The Nigerians are understood to be looking for 11 multi-purpose vessels combining container and general cargo capacity, seven of 23,000 deadweight tonnes (dwt) and four of 28,000 dwt, two full container ships of 1,500, 20 ft equivalent units each and two bulk carriers of 36,000 dwt each.

A substantial portion of the deal is likely to be financed from offshore, with heavy involvement of foreign government export credit agencies.

South Africa cement protest

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S cement producers have joined several other industries protesting against the Government's apparent relaxation of import controls as a means of encouraging domestic price competition.

It was recently revealed that a consortium headed by a local building contractor has been granted an import permit for half a million tons of cement, equal to 6 per cent of South Africa's annual consumption.

It is by no means certain that any imported cement will actually arrive, since the import permit appears to be linked to the contracts finding additional markets for South African coal exports.

Nonetheless, the cement and other industries are concerned that by loosening import controls the authorities are allowing their profitability to be eroded as part of the official anti-inflation strategy and in reaction to recent criticism of the concentration of business power in South Africa.

Local cement prices are fixed by a government-sanctioned cartel and price control on cement was abolished earlier this year.

Mr George Bulterman, chairman of Pretoria Portland Cement, said in his annual review that "the existing conditions of excess domestic productive capacity, relatively low demand and the imminent commissioning of 450,000 tons of additional capacity would hardly seem to be propitious for the importation of large quantities of cement."

Local producers of chemicals, paper, textiles and machinery have also recently criticised the Government's apparent lack of concern at mounting competition from cheap imports.

Pretoria's dilemma is that the establishment of many of these industries has been encouraged as part of official efforts to make South Africa less dependent on foreign suppliers in case of sanctions.

Local production and transport costs are invariably higher than those on imports. Railage on cement from inland factories to consumers in Durban is almost three times higher than sea freight rates from Europe to South Africa.

According to prospective cement importer, supplies from abroad will be sold at 5-10 per cent below domestic prices.

The cement industry has asked the authorities to impose an anti-dumping duty on imports if they materialise. It is concerned that supplies from abroad will threaten the viability of its present R1bn (£580m) investment programme which will raise South Africa's annual cement capacity by more than 25 per cent to around 11.5m tons a year.

Sea freight rates between Europe and Southern Africa will rise by an average of 12 per cent from January 1 1984, the Europe/South and South East Africa Conference has announced. The new rates will apply to both northbound and southbound traffic.

Australia coal mines warning

BY COLIN CHAPMAN IN SYDNEY

LEADERS of the New South Wales steaming coal export industry have warned the State Premier, Mr Neville Wran, that unless port and coal charges can be reduced, coal mines may be closed.

Mr Wran promised a review of rail charges a month ago, but since then the position has worsened with the Japanese power generating industry cutting its anticipated requirements and forcing prices down.

That apart, the Australian industry says it is finding life increasingly tough competing with South Africa. The Australian steaming coal industry in 1970 had three-quarters of new export orders in steaming coal—now they have only half, with Canada, South Africe and the U.S. gaining ground.

A study published last week by Dr Ian Storey, energy analyst with leading brokers Mears and Phillips, confirms a recent report by the National Energy Advisory Council that New South Wales and Queensland charges are three times as high as those in the three major competitor countries.

Freight cost per tonne kilometre from mines serving the ports of Newcastle and Port Kembla averages 6 cents per tonne kilometre, compared with 4.4 cents from Blair Athol to Hay Point in Queensland, or 3 cents from the Blackwater Mine to Auckland Point

By comparison per tonne kilometre, freights in South Africa and Canada are just over 1.5 cents, and on the Eastern Seaboard of the U.S. 3 cents.

Some reduction of freight charges is necessary if the industry is to "preserve about 1,000 jobs which are otherwise in danger of being lost in the next 12 months," says Coal and Allied, a leading exporter.

Mr Wran said be hoped to make an announcement about rail freights soon, but the indications are that there will be a subsidy on rail freight for inland mines at the expense of dearer charges for those close to the ports.

UK NEWS

Safety pledge as nuclear waste inquiry opens

BY KEVIN BROWN

THE GOVERNMENT yesterday announced a formal investigation into the contamination of a Cumbrian beach in North West England by radioactive waste from the Sellafield nuclear power installation (formerly known as Windscale).

Mr William Waldegrave, a junior Environment Minister, told the House of Commons that Environment Department inspectors would establish whether British Nuclear Fuels (BNFL), which runs the plant, had broken the terms of its licence.

The Ministry of Agriculture, Fisheries and Food is also monitoring the area, including the affected beach and local fish stocks.

Mr Waldegrave also agreed to consider a call from Dr John Cunningham, Labour spokesman on the environment, for the Nuclear Installations Inspectorate to be involved in the investigations.

Mr Waldegrave conceded, under pressure from MPs, that it would cost up to £100m to bring Sellafield up to the highest technical standards.

The inquiries follow growing Government concern over safety standards at the plant, and provoked angry criticism from Opposition MPs, including a call for the plant to be closed until investigations are complete.

Mr Waldegrave said a 200-yard stretch of beach contaminated by a radioactive slick from a pipeline discharging into the Irish Sea had been re-opened on Sunday. The Government would take "whatever action is necessary to ensure continued protection of the public," he said.

"There is no question of BNFL operating outside its authorisation or licences. What has been happening under governments of both parties is that we have been improving standards, and BNFL has been moving to meet tighter and more rigorous standards. This process must, and will, continue."

Mr Donald Stewart (Scottish Nationalist) said the plant should be closed "at least until independent research has confirmed that there is no danger."

Mr Waldegrave said that would be neither right nor necessary. "Very large expenditure has been undertaken with the full co-operation of BNFL which will produce further major improvements in discharges. I must emphasise that BNFL has been operating both within our national and international safety limits," he said.

The Sellafield plant was ageing and money would need to be spent to update its performance. "Shortage of money is not the problem," he said.

'Reform before levy increase'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

REFORM of the European Community Common Agricultural Policy (CAP) and the inequalities of the budget contributions would have to be made before the UK would agree to any general increased levy on member states, Mr Ian Stewart, Economic Secretary to the Treasury, said yesterday.

He told the all-party select committee on European legislation that the Government would not agree under any circumstances to any EEC proposal for increased levies on member governments without the authority of parliaments.

The European Commission has proposed that member countries should increase their contribution from 1 per cent Value Added Tax (VAT) to 1.4 per cent.

These contributions are levied on a harmonised VAT base, which means they encompass the same transactions in all member countries.

Mr Stewart, who was taking the place of Mr Nigel Lawson, the Chancellor of the Exchequer, at short notice, told the committee the need for this 40 per cent increase largely reflected the excesses of the CAP.

Officials had 'only weeks' for vital De Lorean decision

BY JOHN GRIFFITHS

NORTHERN IRELAND development officials were convinced they had only a few weeks to decide whether to proceed with the ill-fated De Lorean sports car venture in Belfast, the House of Commons Public Accounts Committee was told yesterday.

Mr Ken Bloomfield, Permanent Secretary of the Northern Ireland Department of Economic Development and formerly Permanent Secretary of the Northern Ireland Department of Commerce which partly funded the project, said Mr John De Lorean had made it clear he would complete a deal with one of three alternative backers if agreement was not reached with Northern Ireland by the end of June, 1978.

Heads of an agreement were signed with Northern Ireland authorities on June 21, 1978 – just 13 days after the first contacts had been made with the officials by Mr De Lorean. A master agreement was signed on July 28 between Mr De Lorean and the Northern Ireland Secretary in the Labour Government, Mr Roy Mason.

Mr Bloomfield's statement was followed by a barrage of questions on whether the two main agencies involved, the Chamber of Commerce and the now disbanded Northern Ireland Development Agency, had acted with undue haste and without properly researching the project.

Mr Bloomfield replied that the existence of the three alternative backers, two independent assessments from U.S. company analysts and the high reputation of Mr De Lorean, who is a former General Motors vice-president, and his partners, had given reasonable grounds for the Northern Ireland agencies to proceed.

With Mr De Lorean now accused of drug trafficking, it was inevitable that MPs would focus sharply on the extent of attempts to establish his bona fides.

Mr Bloomfield said that Northern Ireland officials based in the U.S. had made contact at a senior level inside General Motors and had been told that while the sports car venture was a very high risk project "if there's one man who can do it then it is John De Lorean."

With the Government of Puerto Rico, the city of Detroit and the Irish Republic's development agency also prepared to put up initial amounts as high as $60.5m, said Mr Bloomfield, "Mr De Lorean made it clear to the Department of Commerce that if we wanted to bid we would have to do so very quickly indeed. We were convinced of this at the time, and subsequent events show that this was the case."

But he acknowledged that in deciding to proceed the Northern Ireland authorities had also taken account of a report they commissioned from McKinsey Associates, which concluded that the project represented an extraordinarily high risk and was unlikely to succeed as conceived.

Another 1,000 BR staff to be moved

By Hazel Duffy, Transport Correspondent

OVER 1,000 clerical staff in the London offices of British Rail's London Midland region have been told of management plans to move them out of the capital, probably to Birmingham.

The London Midland move follows the recent decision by Western Region to move its London-based staff to Swindon, Wiltshire. The plan is that the relocation in both regions will be completed in the first half of next year.

A major internal review of BR administrative staff and functions has been going on since the spring, when Mr Leslie Soane was appointed assistant chief executive at the British Railways Board to reduce administration costs.

The overall BR plan is to cut its total of 30,000 white-collar staff by about 25 per cent by the end of next year. A major part of this rationalisation is being effected by the elimination of the divisional management tier, leaving a two-tier management structure consisting of headquarters staff and the regions.

TV-am seals finance deal

By Raymond Snoddy

THE END of the financial restructuring of TV-am, the commercial breakfast television channel, will be formally marked on Thursday when representatives of new shareholders, Australian entrepreneur Mr Kerry Packer's Consolidated Press, and Fleet Holdings, publishers of the Daily and Sunday Express, attend a board meeting for the first time.

In the past few weeks, TV-am has raised about £3.5m to reduce debt payments and provide necessary working capital.

The final part of the refinancing came at the end of last week when Mr Packer, whose company has television interests in both Australia and the U.S., took a 10 per cent stake in the channel.

Fleet Holdings took a 28 per cent stake in the enlarged equity of TV-am late last month for £2m. About £2.5m came from existing shareholders.

Foot rounds on Government over Elgin Marbles

BY OUR PARLIAMENTARY STAFF

CONSERVATIVE MPs hostile to the Greek Government's request for the return of the Elgin Marbles from the British museum were bitterly attacked in the House of Commons yesterday by Mr Michael Foot, the former Labour leader.

Mr William Waldegrave, the junior minister with responsibility for the arts, said the Government would give "careful consideration" to the Greek request.

But Mr Christopher Murphy (Conservative), said "the current emotion shows in more ways than one that the Greeks have lost their marbles." Sir David Price (Conservative) urged Mr Waldegrave to remind the Greek Government: "Nn Elgin, no marbles, no British Museum, no marbles."

Sir David said the level of sulphur dioxide in the Athenian atmosphere was as destructive of what remained of the Parthenon, from which the marbles were taken, "as were Venetian gunfire, Turkish gunpowder and the plunderers and marauders of the Greek people themselves on the remains of the Parthenon in the past."

Mr Foot said those comments "merely add insult to the injuries that have been inflicted in this matter."

Circumstances, and the manner in which the marbles were removed from Athens by Lord Elgin had been "bitterly denounced by most nf the leading English people of the time, headed by Lord Byron."

Mr Foot said the Government should look seriously at the Greek request, which came from a friendly democratic government.

Mr Waldegrave said a Commons committee had decided after an investigation that the marbles, part of the Parthenon frieze, were legally acquired.

Mr Toby Jessel (Conservative) said Britain had saved the marbles after years of neglect decay, and delapidation, under Greek and colonial Turkish rule, while Mr Andrew Faulds (Labour) a former Labour arts spokesman, called for a limited range of art objects to be returned to Third World and other countries. Otherwise, Britain would eventually face commercial and economic pressures "when we are dealing with other matters," he said.

Mr Waldegrave agreed that the matter did raise "very wide issues of a general kind." He added: "This is why we do need to consider the implications not only for the British Museum but for other great international collections."

GULF INVESTORS GROUP

Dear Fellow Gulf Shareholder:

The Gulf Investors Group is convinced that Gulf stock is greatly undervalued. **We are dedicated to the goal of enhancing shareholder value and oppose any action that is contrary to that goal.** For that reason, we are asking you to help defeat Gulf management's reincorporation proposal at the December 2 shareholders meeting. This proposal would eliminate important shareholder rights and stifle shareholder input.

In response to our legitimate opposition as shareholders to the reincorporation proposal, Gulf management has launched a vicious attack on the Gulf Investors Group and on me. In a recent interview, Harold Hammer, Gulf's executive vice-president, was quoted as saying:

> **"We've got to roll up our sleeves and kick him where it really smarts."** (The New York Times, November 6, 1983)*

In addition, Gulf's chief executive officer recently said:

> **"We will fight anyone who criticizes management's motives and actions."** (Pittsburgh Post Gazette, November 10, 1983)*

At Gulf, it seems that any idea that doesn't come from management will automatically be opposed. Based on Gulf's record—described in a November 13 guest column in The New York Times* as **"one of the most lackluster records of financial and operating performance of the major integrated oils"**—*one would hope Gulf management would welcome new ideas.*

WE'RE IN THIS TOGETHER

Gulf management has questioned our objectives and has attempted to persuade you that our interests are contrary to yours.

Do not be misled: Our sole objective is to participate in the enhancement of the value of Gulf stock on an equal basis with all Gulf shareholders. **We will not sell one share of our Gulf stock back to Gulf unless all shareholders have the same opportunity.**

Before we began our purchases, the price of Gulf stock was in the mid-30s. Gulf stock now trades at about $44. **Ask yourself what Gulf stock will sell for if we do not defeat management's reincorporation proposal.**

Remember:
Our Gain Is Your Gain.
Our Loss Is Your Loss.

According to management's proxy materials, Gulf directors and officers as a group own only **324,693** shares. The Gulf Investors Group owns **17,932,700** shares—an investment of nearly $800 million—purchased at an average cost of about $44 per share. **Ask yourself which group is more interested in maximizing the value of Gulf stock.**

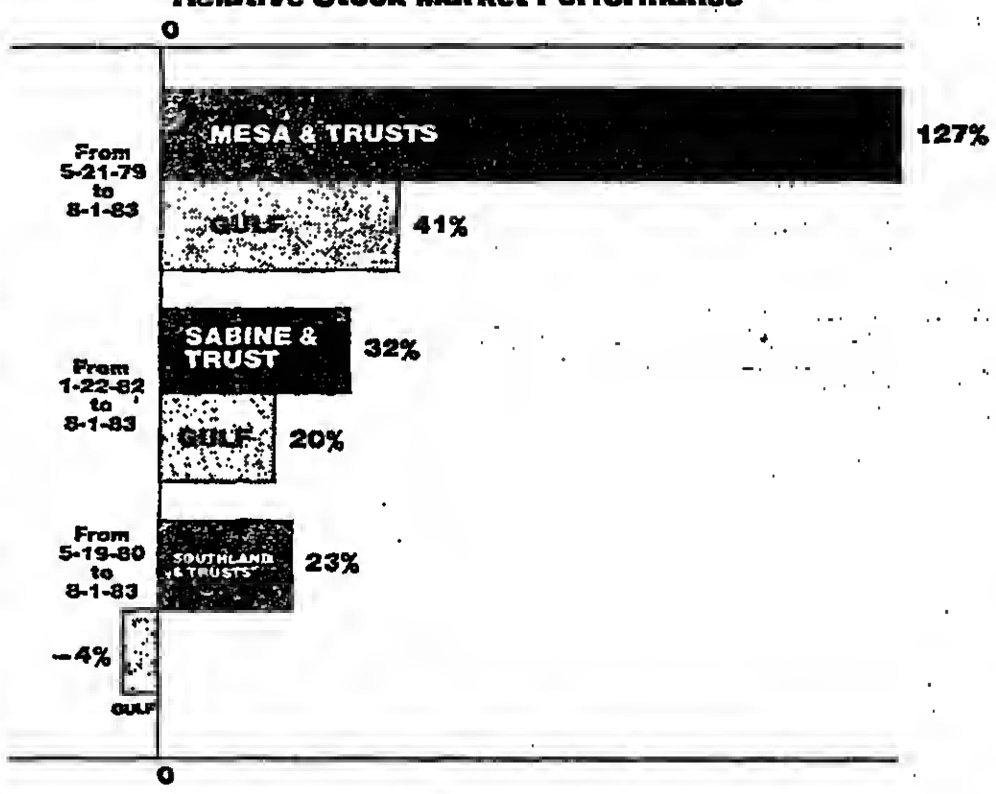
A GULF ROYALTY TRUST

We believe shareholder value would be increased by the creation of a royalty trust. A Gulf royalty trust would provide shareholders, in addition to their Gulf shares, with publicly traded securities entitling them to a direct interest in the net profits from a portion of Gulf's oil and gas properties.

A recent guest column in The New York Times pointed out that Gulf's **"rich oil and gas reserves, which on their own could be highly profitable, are buried in a corporate body along with many low-value, even worthless, parts."** (The New York Times, November 13, 1983)*

Another guest column on the same date stated that **"since the shareholders are the owners for whom (Gulf) management works, it is questionable whether the current corporate structure works to their greatest advantage. Thus, Mr. Pickens's proposed plan makes good investment sense."** (The New York Times, November 13, 1983)*

Royalty Trusts and Distributing Cos. vs. Gulf Oil Relative Stock Market Performance



% Increase (Decrease) in Market Value

Even after creating a royalty trust covering 50% of Gulf's U.S. reserves, we believe Gulf would remain a very substantial major integrated oil company with sufficient cash flow to conduct an aggressive exploration program and carry out its other corporate objectives. Gulf would also continue to control the use of the oil and gas produced from the properties subject to the trust.

Gulf management opposes creation of a royalty trust because certain shareholders would have to pay taxes on the distribution of the trust interests and the distribution would not be accompanied by cash with which to pay taxes. Although there can be no assurance, we believe the enhancement in the value of the shareholder's investment which could be achieved by a trust would substantially exceed the related tax liability.

Personally, I'd rather make some money and pay some taxes than not make money at all.

Royalty trusts have a strong record of enhancing shareholder value over the near and longer term. The above chart compares the stock market performance of Gulf to companies that have distributed 25% or more of their U.S. oil and gas reserves in the form of royalty trusts. Stock market performance of the distributing companies includes the price of the distributed trusts and is measured from a date one month prior to announcement of each trust to August 1, 1983 (shortly before the Gulf Investors Group began its purchases of Gulf stock).

Vote AGAINST management's reincorporation proposal

- **Don't give up the right** of a 10% shareholder to propose a charter amendment and cause it to be voted on by all shareholders.
- **Don't give up the right** of a 20% shareholder to call a special meeting of shareholders.
- **Don't give up the right** of all shareholders to cumulative voting in the election of directors.

IMPORTANT: Through the reincorporation proposal, Gulf management is trying to insulate itself from shareholders' ideas such as a royalty trust. If we don't defeat management's reincorporation proposal, you may never even get the opportunity to vote on the royalty trust issue.

You don't have to decide whether you are FOR or AGAINST a royalty trust at this time. The most important thing for you to decide is whether you want to preserve your right to have shareholder ideas such as a royalty trust come before you at some future time.

Thank you.
On behalf of the Gulf Investors Group

T. Boone Pickens, Jr.

T. Boone Pickens, Jr.

Sign, date and return the **BLUE** proxy card **TODAY.** Even if you have already returned a management proxy, your later dated **BLUE** proxy will be the only one that counts. If your shares are held at a bank or brokerage firm, and you are concerned that your vote may not reach the Gulf Investors Group in time, please call our proxy solicitor:

THE Carter ORGANIZATION, INC.

Toll-Free 800-221-3343
or
212-619-1100 (collect)

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Ministers 'encouraging overseas stake in BT'

BY IVOR OWEN

AS THE Government invoked the Parliamentary guillotine in the House of Commons last night to counter the attempts by Labour MPs to obstruct the plans to sell 51 per cent of British Telecom (BT) to the private sector, ministers were accused of encouraging Arab as well as Japanese and American interests to acquire a stake in the business.

The charge was made by Mr John Golding (Labour), e member of the Post Office Engineering Union, whose lengthy speeches in the committee considering the Telecommunications Bill have been a major factor in progress being so restricted that it took 38 hours to reach clause 3.

The timetable under which the guillotine will operate ensures thet the committee will complete its consideration of the remaining 91 clauses and six schedules by December 1.

Mr Golding protested that so extensive were the Government's efforts to encourage foreign buyers that when privatisation had been completed the "Nippon, Arab Yankee telephone company" would be operating in Britain.

He claimed that the Government bad not only asked the Japanese if they were interested in buying shares in the privatised British Telecom, but also inquired if they would be interested in supplying telecommunications equipment for the British market.

These developments, he said, reinforced Labour's fear that privatisation would lead to job losses not only in British Telecom but in the companies which now supplied telecommunications equipment to the publicly-owned undertaking.

Mr Golding was particularly censorious of Mr John Butcher who despite his special responsibilites for the West Midlands bad been supporting his ministerial colleagues at the Department of Trade and Industry in a policy which could only deprive the area of further jobs.

He also attacked Sir George Jefferson, the chairman of British Telecom, for having made it clear that privatisation would see the abandonment of the corporation's policy of buying British.

To opposition cheers, Mr Golding described the national advertising campaign undertaken by British Telecom to explain the attraction of privatisation as "a national disgrace." In effect, he said, government propaganda was being paid for not by the Conservative Central Office but by the public.

In a written reply to a parliamentary question Mr Butcher refused to be drawn on the cost of British Telecom's advertising campaign, insisting that its corporate advertising was a matter for the board.

Mr John Biffen, the Leader of the Commons, who moved the guillotine motion, gave a broad hint that the Government hopes to secure all-party approval for a fresh examination of the possibilities of introducing an eutomatic timetabling procedure for all legislation.

Mr Biffen, who described the Bill as an extremely important part of the Government's economic strategy, confirmed that the guillotine would ensure that the Bill completed all its stages in the Commons next month.

Mr Peter Shore, (Labour) maintained that the tactics employed by Labour MPs in the committee had been fully justified, not least because they had contributed to an educational process which had resulted in the opinion polls showing a majority against the privatisation of British Telecom.

He stressed that the Government had tabled more amendments to the Bill than the Opposition, and described the time allocated for the remainder of the committee stage as "ridiculous."

Brussels permits BSC and GKN to take over Hadfields

BY LYNTON McLAIN

THE EUROPEAN Commission has given approval for British Steel Corporation and Guest Keen and Nettlefolds to take control of Hadfields, the Sheffield engineering steels business owned by Lonrbo. The takeover had already been cleared by the UK Office of Fair Trading.

The EEC approval clears the way for BSC and GKN to proceed with their previously announced plan to close Hadfields as part of the rationalisation of Britain's engineering steels sector. An announcement is expected soon, possibly this week.

Under the proposals approved yesterday by the European Commission, BSC and GKN will each have e 37.5 per cent share of Hadfields Holdings. Lonrho, formerly the 100 per cent owner of Hadfields, will keep a 25 per cent share "for a limited period," the Commission said.

Meanwhile, BSC announced, as expected, a 5 per cent rise in the prices of engineering steel billets and bars. The increase takes effect from January 1, 1984 and "will be held firm for 12 months." BSC was confident that its competitors elsewhere in Europe would follow with similar rises, also in January.

Imports already account for just under 15 per cent of UK sales of engineering steels. BSC said the increase was oeeded to counter rising costs of raw materials, energy and rates. "These costs have risen to the point where a price increase cannot be avoided," the corporatioo said yesterday.

This is the first price rise for BSC engineering steels for two years, a period of falling demand. The UK has the capacity to produce about 2.6m tonnes of engineering steels a year. Curreot demand is 1.8m tonnes a year, better than last year but nowhere near the high demand of the 1970s. The imminent closure of the Hadfields works would cut manned annual capacity in the UK industry by about 100,000 tonnes.

Local authority debt reaches £43bn

BY ROBIN PAULEY

TOTAL local authority debt in the UK increased to £43.7bn by the end of March, the equivalent of about £775 for every inhabitant.

About 70 per cent of the outstanding debt in England and Wales and 53 per cent in Scotland is for housing. Scotland bas e higher proportion of debt outstanding on road and transport (9.6 per cent) and education (13 per cent) than England and Wales, where the figures are respectively 5.7 per cent and 11 per cent, according to a survey by the Chartered Institute of Public Finance and Accountancy.

The Government'a policy of encouraging councils to make more use of centrally raised funds, rather than market loans through preferential interest rates, has raised the proportion of Public Works Loans Board (PWLB) debt by nearly four percentage points to 36.3 per cent by March 1983. This is almost back to the same level as in March 1981.

The average rate of interest on local authority debt fell to 11.83 per cent in 1982-83, compared with 12.69 per cent in 1981-82. This represents a saving of about £400m, or £7 per head of population, in interest payments.

The survey shows that capital expeoditure, which local authorities tend to underspend, rose substantially in 1982-83 to £5.17bn compared with £4.15bn in 1981-82.

Transport deal hits pay restraint hopes

BY BRIAN GROOM

PAY RISES awarded to lorry drivers in the private road haulage sector are likely to dismay the Government and the Confederation of British Industry (CBI), the employers' organisation.

The award of up to 7.1 per cent is towards the top end of the range of pay deals in industry and comes at a time when the Government and the CBI are calling for a reduction in the level of industry settlements io order to keep inflation io check. They are also more than two percentage points above last year's deals.

A settlement in the East Midlands area will raise the basic rates by 5.92 per cent, compared with last year's 4.7 per cent deal. Increases of 6.7 per cent to 7.1 per cent have been agreed in the southern area, after rises at and slightly above 4.65 per cent last year.

Lorry drivers' pay is decided in 21 separate regional negotiations. The agreed rates are often undercut by small companies, which angers both the transport unions and larger employers.

Last year's range of regiooal pay deals was 3 per ceot to 5.75 per cent, with an average of 4.4 per cent. Although lorry drivers won some of the biggest pay rises in industry et the end of the 1970s, recession and unemployment bas since sapped the bargaining strength of the TG & WU.

The higher deals at the outset of this year's round are surprising because, although there bas been a slight upturn in haulage rates in some sections of the business, most of the industry is still in the doldrums.

Two reasons for the high increases were being suggested last night: the likelihood of some improvements on last year's deals, which were two or three percentage points below the rest of inoustry, and a relatively moderate claim from the TG&WU.

The union is claiming £8 a week increases in basic rates io most areas, though in the East Midlands its claim was for £10.40.

In the East Midlands, the basic rate for a 40-bour week for drivers of 32 tonne lorries will rise by £5.30 to £94.90 from January 1. The overnight subsistence rate goes up by £1 to £11.50.

In the southern area, a £6 across-the-board rise takes the rate for 32 tonnes to £96. Subsistence rises by 50p to £10.75. A 38-tonne premium of £1.50 a day has already been agreed.

The settlements are above the recent average for manufacturing industry of 5.5 per cent identified by the CBI, and at the higher eod of the 2.5 per cent to 8.5 per cent range across the economy ideotified by Incomes Data Services.

Stock Exchange to launch new index

BY ERIC SHORT

THE LONDON Stock Exchange is to launch a new index of equity prices after requests from the Londoo International Financial Futures Exchange for an up-to-the mioute guide to price movements.

This will add to the large number of stock market indices already published by the Financial Times.

The Financial Times Industrial Ordinary share index, for example, is calculated hourly. The indices compiled jointly by the FT and the Institute of Actuaries are calculated once a day.

The new index, yet to be named, will be based on price movements of 100 of the largest UK companies listed on the stock exchange, and calculated on a weighted arithmetic basis. It is thus designed to behave as an actual portfolio would behave.

The stock exchange says that by using its price collecting service EPIC, it will be possible to restrict to no more than three minutes the time-lag between the notification of a price change by a jobber and the updating of the index.

Unlike Wall Street, prices of individual share transactions on the London Stock Exchange are not published centrally. Each price has to be obtained from the relevant stock jobber's board, recorded and then keyed in to the computer by the stock exchange reporters.

There are over 2,200 equities officially listed on the London stock exchange, of which over 1,400 are actively traded. For decades commentators have been trying to ascertain the general mood of the market from individual price movements.

With high-speed computers, it would be possible to average all share price movements daily. But this is not really necessary. A carefully selected sample of the leading companies will provide a good indication of market movement.

However, this in turn begs the question of which shares are to be included, how many stock prices are to be averaged and how the average is to be calculated.

The Financial Times Industrial Ordinary share index, for example, uses 30 leading shares, a oumber that facilitates calculation while still providing an adequate representation of the sectors in the industrial market.

The FT-Actuaries All-Share Index is based on 750 shares and accounts for over 80 per cent of total market capitalisation.

The method of averaging chosen depends on what one is trying to measure. If the aim is to measure price movements only, then it makes sense to pick an unweighted or fixed weighted method. There are strong grounds for using the unweighted geometric index of the FT Industrial Ordinary if the intention is to measure a simple price movement. The calculation is straightforward and it gives a general picture of price movements quickly over any period.

The other measure takes account of the effect of price movements on an "average" portfolio. This is the method used in the FT-Actuaries series, the average portfolio holding being one in which the market capitalisation of each shareholding is in proportion to the total capitalisatioo of the market.

Each method has its advantages and disadvantages and these need to be understood in order to appreciate the uses and limitations of indices.

The Financial Times this month published the 500 largest UK companies by market capitalisation. Assuming the top 100 in this table comprise the new index (the actual constituents have yet to be selected) then British Petroleum, the No. 1 company at £7.58bn, would be over 26 times the size of the 100th largest company, Sun Life Assurance at £287m.

With a weighted arithmetic average, a 1 per cent change in BP's share price will have 26 times the effect on the index of a 1 per cent change in Sun Life's price. Indeed the top 10 companies account for almost 40 per cent of the capitalisatioo of the 100 companies.

The stock exchange intends that a trial index will start operating in January and will run on a experimental basis for two months before going live in March. But there is still design work and programming to be done. A weighted arithmetic index needs updating daily for all capital changes and checking before the day's run starts. A mistake that is not immediately detected will affect all subsequent calculations.

Pickets defy court and halve Shell deliveries

BY BRIAN GROOM, LABOUR STAFF

SECONDARY PICKETING by Shell refinery workers has halted nearly half the company's deliveries of petrol and oil products. The action is in defiance of High Court injunctions taken out by the compaoy under the Employment Act 1980.

Refinery workers are under pressure to end their dispute over a 4.5 per cent pay offer after tanker drivers' negotiators decided to urge acceptance of a separate but similar offer. Far from capitulating immediately, however, the refinery workers extended their action yesterday.

Pickets were out at the Kingsburg distribution terminal, Warwickshire. Drivers refused to cross the picket lines, which brought to nine the number of Shell locations from which deliveries have been restricted to emergencies only.

The company has 33 general terminals, but the refinery workers have picketed the biggest one. Shell said no pickets had turned up at its 11 airport terminals.

The 1,750 drivers and depot workers have been voting today on the offer of a 4.5 per cent rise in basic rates and consolidation of £2.50 of existing allowances. If, as expected, they vote to accept, they may not be so keen to respect refinery workers' picket lines.

Three quarters of Shell'a refinery output has been halted by strikes at the two main refineries, Stanlow in Cheshire and Shellhaven in Essex.

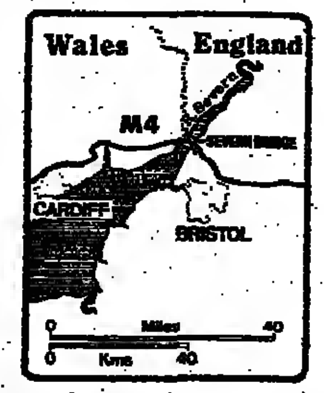
Union negotiators at Shellhaven held talks with management at the weekend, and will meet them again this week. Talks at the Teesport refinery, where an overtime ban is in force, have centred around a longer-term deal, covering perhaps 16 months.

The pay disputes have had little effect on the consumers because of over-supply in the oil and petrol market.

UK NEWS

Safety problems of Severn Bridge worry South Wales

BY ROBIN REEVES, WELSH CORRESPONDENT



WILL NISSAN, the Japanese car company, decide against building a car plant in South Wales because of doubts about the structural safety of the Severn Bridge? It is a question which sums up the anxiety felt in South Wales about a new engineering report on its principal road link with southern England.

Traffic restrictions have been placed on the bridge, which crosses the Severn estuary and carries the M4 motorway from London. The suspension bridge – its longest span is almost 1,000 metres – was opened in 1966 and has become the Welsh region's major economic lifeline.

The growth in traffic using the bridge has far outstripped the forecasts on which the design was based. About 12m vehicles a year use the crossing, of which 2.75m are commercial vehicles.

Earlier this year, consultant engineers Flint and Neill recommended a £33m programme of strengthening work and maintenance. (The bridge originally cost £8m.) But now another firm of consultant engineers, Mott, Hay & Anderson, has warned that the bridge could be unsafe in very exceptional circumstances.

Nissan said last week that fears over the bridge's safety and the traffic restrictions were a minor consideration. They were unlikely to influence its decision – expected before Christmas – on whether or not to establish a car plant in Britain.

The Japanese company said that if it did go ahead, it would be looking for a port where components could be brought in easily by ship and finished cars exported. Both the South Wales sites among the short-listed locations – Wentloog near Cardiff and Llanwern near Newport – meet this requirement.

While Nissan may be publicly unconcerned about the Severn Bridge, the structural worries are clearly not helpful to South Wales' drive to attract new industry to replace the thousands of jobs lost in the region's traditional steel and coal industries since the onset of the recession.

They are also of serious concern to existing industry and demands are growing for the immediate commissioning of a feasibility study into a second road crossing of the Severn estuary.

The Welsh Confederation of British Industry (the employers' body) is inviting comments from its members on the difficulties they experience with traffic restrictions on the bridge. It eventually plans to publish the responses, but preliminary information suggests that the picture varies from company to company.

Some are having no difficulty in keeping to their distribution schedules. Others are coping with the problem by introducing earlier starts for their drivers or reintroducing overnight stops for some round trips.

Traffic from some parts of South Wales has reasonable alternative routes further north, but vehicles from Newport, Cardiff and Bridgend must either take a much longer route to England or risk queues at the bridge.

As far as inward investment goes, specific instances of companies which have decided against coming to South Wales because of concern over the bridge are hard to discover. In practice, a wide variety of factors influence investment decisions. But one Brussels-based consultancy, Plant Location International, which advises companies on sites for expansion, has said that concern over the safety of the bridge was damaging inward investment prospects.

It was ridiculous for the UK Government to offer some of the best financial incentives available anywhere in the EEC and then be forced to restrict traffic flows into the same area, it said.

"If the problem with the Severn Bridge is not dealt with quickly, then companies relocating out of London will be going to Bristol" the consultancy commented.

An immediate approval for the work recommended by Flint and Neill would help to allay some of the concern. The work would evidently take four years to carry out and require traffic restrictions for up to two years. But the recent warning of Mott, Hay & Anderson, means that the political head of steam supporting demands for a second crossing is not going to dissipate.

Irrespective of the improvements made in the condition of the present bridge, the argument is that the projected growth in traffic already justifies a feasibility study into a second crossing, as it would take five to 10 years to complete.

The options are either a second bridge, costing £100m, or a tunnel costing about £130m, according to a preliminary estimate by the Department of Transport. Mr Ken Groves, chief executive of EuroRoute, a consortium which has proposed a tunnel across the English Channel, has suggested that a trenched steel tube tunnel could be built across the Severn and be financed by the private sector.

So far, the Transport Department has resisted the calls for a second crossing, arguing commissioning a feasibility study would introduce planning blight to two sides of the estuary. But, as one Welsh industrialist commented, some limited planning blight was preferable to blighting the whole of an industrial region.

There is also pressure for the Welsh Office to be given joint responsibility for the bridge with the Transport Department, even though both ends of it are in England. (The border is the River Wye). The Welsh Office is known to be less than satisfied with the Transport Department's approach to the difficulties so far. It is felt to have displayed a distinct lack of urgency and appreciation of the bridge's importance to South Wales.

Bank to give advice on Sealink disposal

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE GOVERNMENT has appointed Hill Samuel, the London merchant bank, to advise it on next year's planned privatisation of Sealink UK, the ferry subsidiary of British Rail.

The bank will suggest how Sealink, now recovering from past heavy losses in the ferry business, can be sold in full or in part by March 31, 1984.

There are still no firm proposals on the timing of methods of the deal, and the Government is believed to have become increasingly frustrated at the slowness of the process.

British Rail itself is being advised by another merchant bank, Morgan Grenfell. Trafalgar House, which owns the Cunard shipping company, has expressed interest in buying Sealink. A proposed bid for Sealink by European Ferries (which owns the Townsend Thoresen ferry operation) was rejected nearly two years ago by the Monopolies and Mergers Commission.

The job of Hill Samuel will be to give Mr Nicholas Ridley, the Secretary of State for Transport, its own independent assessment of how best to privatise Sealink.

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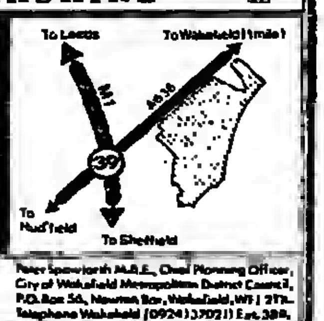

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Limehouse: only a sprint to the centre of the world

Video & Film

BY JOHN CHITTOCK

IF HOLLYWOOD claims a place in history as the world capital of film production, London is close to earning a similar honour for its position in television.

For Hollywood, the major business now comes from television and no other city could challenge the sheer scale of production activity there. But London now has a concentration of facilities probably unrivalled in the world—such that almost any television, video or film service required is available somewhere within a 10 minute taxi ride of Soho Square.

The facilities on offer range from simple film cutting rooms to all manner of electronic processing services—such as transfer of videotapes from the European PAL system to North American NTSC, complicated visual special effects, and extraordinary combinations of film and television technology which offer the best of both media.

One such example, launched last week by Colour Video Services, offers all the flexibility and low cost of film editing but for programmes originated on videotape. Under the name Editech, Colour Video Services are providing a tape-to-16 mm film transfer service in which the electronic time code on the videotape — essential for TV picture synchronisation—is incorporated in the film; and the video sound track is also transferred to separate 16 mm magnetic film. In arriving at the final video version, a producer may thus use normal film editing methods, which are much less costly and allow greater scope for trial and error.

Digital

Another central London firm—The Moving Picture Company—claims to have the most comprehensive digital and electronics special effects facility in Europe. This includes a dedicated studio with a computer controlled camera gantry that interlocks the movements of camera and models which are being filmed or recorded.

What is often so extraordinary about facilities such as these is the way in which they are squeezed into unlikely buildings in Soho or the West End—sometimes the most advanced motion picture technology in Europe, at the top of narrow staircases more befitting to "Swedish Model" on the bell push.

No compromise in building accommodation has been necessary, however, in London's newest facility—the £10m Limehouse Studios opened by Mr Kenneth Baker two weeks ago on the Isle of Dogs. Although the original shell was a rum and banana warehouse, everything about Limehouse is purpose-built, making it Europe's most modern television studios available for commercial hire.

Limehouse is more than 10 minutes' taxi ride from Soho Square but for those who know the back streets it can be reached in little over 20 minutes. Which is a crucial factor in the economic justification for this ambitious project. At the heart of the debate which forever surrounds the studio business are five criteria: distance from Soho, size, technical facilities, cost, and production trends.

Limehouse is bigger than any potential competitor in Central London. The largest of its two studios, at 557 square metres, is twice the size of the next largest at Ewart Television across the river at Wandsworth. Shepperton Studio Centre and Pinewood can both boast much larger film studios—big enough for the Titanic or James Bond—but only Shepperton has permanent television (as against film) facilities of any substance, and these bear no comparison with what is available in Central London.

Nonetheless, a site as large as Shepperton, with a wide range of facility services and an excellent restaurant, provides an agreeable self-contained environment—as indeed does Pinewood with a magnificent period house as the main administrative centre. The greater distances from London may be less critical under these circumstances, especially for the large production which stays for weeks rather than days.

To some extent, Limehouse is a well-conceived attempt to overcome many of the compromises. It is bigger than Central London studios, closer to the centre than Shepperton or Pinewood, is attracting other facility companies as tenants to offer a wider range of services than Ewart and is permanently equipped with the very best of TV technology.

Limehouse, however, has no film or film/video facilities, which could be a handicap. And the size of its two studios is uncompromisingly big, which may make Limehouse depend excessively on top-end broadcast work—whereas much of the growth in television is in video, industrial and other low cost productions. Limehouse's superb specifications — especially for musical productions—at least promises the establishment of a reputation for technical excellence, which has been the unique selling point of one of London's market leaders, Molinare.

In the end, it all boils down to price and demand. Television is becoming notoriously expensive, with, for example, BBC dramas at £200,000 per hour and light entertainment at £140,000 per hour. Yet one of the growth markets—cable television—is unlikely to afford more than £5,000 per hour for most of its top entertainment.

Competitive

The demand for studio space in London is healthier in recent times and will grow, but costs become the inhibiting factor. Limehouse, at over £7,000 per day for its smaller studio, seems a tough prospect to sell alongside Ewart's £3,000—but Limehouse provides an all-in package with no extras and claims that the design and staffing means such improved productivity that they will be competitive.

If the price is right, an explosion in demand could be just around the corner. Cable television will need studio facilities, albeit of a modest kind, and consumer video will gradually start to originate its own programmes instead of just recycling old material.

The biggest boom could come, however, if TV commercial producers changed their allegiance to film origination. For Ewart and Molinare, between 30-40 per cent of their studio business comes from TV commercials. Yet probably less than 5 per cent of all commercials are shot on video.

The television industry is very aware of this loyalty to film—and they have ways of changing people's minds, such as a TV camera designed to emulate the peculiar characteristics of film.

'ENORMOUS' FUEL SAVINGS PROMISED BY BRITISH GAS

Ceramic burner is the key

BY MAURICE SAMUELSON

A DRAMATIC breakthrough in energy efficiency for industry is being claimed for a new method of furnace heating developed by the British Gas Corporation in conjunction with a private West Yorkshire engineering company.

The invention, which is said to offer "enormous" fuel savings for plants using high temperature processes such as metal and glass melting, is a regenerative ceramic burner, developed over the past three years at the Midlands research station of British Gas at Solihull, West Midlands.

Its special feature is said to be its ability to extract virtually all the heat that in conventional furnaces is discharged in high temperature gases into the atmosphere.

British Gas is developing it as a commercial proposition with Hotwork International, of Dewsbury, near Leeds. Operating under industrial conditions at the Llanwern works of British Steel and at a Yorkshire glassworks, it has boosted furnace efficiency threefold and cut fuel costs by two-thirds, the Corporation says.

Hotwork says the equipment, which operates at 1,400 degrees centigrade, is ready for the market. It has signed an agreement with British Gas for joint technical and commercial development.

The process employs two gas burners, each having a regenerator bed of shaped ceramic material. They fire alternatively for about two minutes at a time to maintain a furnace operating temperature of up to 1,400 degrees C. The Corporation says:

"Instead of the hot flue gases being discharged directly from the furnace chamber into the atmosphere, they are drawn into the ceramic bed of the second burner where the heat is retained at about furnace temperature.

"When the second burner fires, cold air which has to be mixed with gas for combustion, passes through this hot ceramic bed, becomes pre-heated, then enters the second burner which is ignited for its firing cycle. The firing of the burners is controlled by valves linked to a micro-processor.

"A conventional, well-managed furnace at 1,400 C using ambient air can achieve about 20 per cent process efficiency. Furnaces using conventionally pre-heated air from a recuperative burner can increase process efficiency to 35 to 40 per cent."

The new system is said to achieve process efficiencies of 60 per cent at 1,400 C and is designed to allow cleaning and replacement of the ceramic materials without a furnace shutdown. The Corporation also claims a major advance in keeping air clean, thanks to a method of discharging waste gases at relatively low temperatures.

Mr Jeffrey Masters, assistant manager of the Research Station's heating plant division, calls the new process "the ultimate in high temperature heat recovery." Calling it "unique" and "another British first," he says that even in processes as low as 1,000 degrees Centigrade, it can give fuel savings of 45 per cent.

Hotwork International developed the plant commercially at its Earlsheaton, Dewsbury, works after reading of the research work carried out on it by the Gas Corporation in a newsletter circulated to the heating industry.

WHY THE GIANT TURNED BACK FROM THE JUNCTION

Death knell for Josephson?

BY LOUISE KEHOE IN SAN MATEO, CALIFORNIA

IBM HAS rung the death knell for "Josephson Junction" research. The computer giant has announced that it is "significantly cutting back" upon its efforts to create a new type of super fast computer using Josephson superconducting devices.

The decision means abandoning 20 years of research and development, believed to have cost over $100m.

Josephson Junctions, named after the British Nobel Prize-winning physicist Brian Josephson, had been expected to provide a mechanism for very fast processing of electrical signals.

IBM had hoped to use the new technology to build a computer 50 times faster than its current high performance models.

Unlike today's integrated circuits, which are made out of doped silicon, Josephson circuits are based upon alloys which at cryogenic temperatures exhibit superconducting properties.

IBM has published numerous reports on the results of its Josephson Junction research, the latest of which describes a 4K random access memory application of the technology. Prototype Josephson devices were being made on a pilot production line which has now been closed down.

IBM said that it will maintain some research activity in the area of superconductors but said that the prospects for Josephson technology "do not warrant a continuation of our effort at the former level."

According to IBM research scientists, Josephson technology has hit problems in the area of computer memory devices where "design tolerance difficulties" have been encountered.

The primary reason for IBM's decision to pull out of Josephson research is, however, the rapid advance of conventional silicon technology and the promise that gallium arsenide semiconductor devices will provide speed performances equal to those projected for the Josephson technology.

"The advantages that we thought we had eroded," explained Dr Hans Zappe, an IBM scientist, at an industry conference last week. His remarks prefaced a formal IBM announcement of its decision.

"The biggest problem is that in Josephson technology every aspect of a computing system has to be developed without the ability of taking advantage of existing hardware," he said.

Industry cynics have questioned IBM's commitment to Josephson technology for several years. Competitors felt that IBM would not have been willing to publish so much of its research had the technology held any practical value. Nonetheless, several other U.S. and Japanese computer manufacturers have put together superconductivity research teams in an effort to match IBM's capabilities.

Alternative approaches to building super-fast computers now appear more promising than Josephson junctions. According to Gene Amdahl, a renowned computer architect, "wafer scale integration" can provide computing speeds of an order of magnitude faster than current technology. His company, Trilogy, is pioneering the use of wafer integration to develop a super computer.

Now the focus of much attention among computer scientists, wafer integration is a system that makes use of standard silicon device technology. The principle is simple. The circuits are formed on a silicon wafer in the usual way. Instead of cutting the wafer up into individual circuits they are, however, connected on the wafer to form a whole computer subsystem. In practice, the approach stretches silicon fabrication technology beyond its current limits, but Trilogy claims to be well on the way to making it work.

Despite IBM's decision, Japanese research laboratories intend to press ahead with Josephson Junction research.

The Ministry of International Trade and Industry (MITI) Electrotechnical Laboratory has already developed manufactured a logic circuit using 1,400 Josephson Junctions which it was possible to build into a very fast adding machine. Nippon Telephone and Telegraph (NTT) has built a 1,000 bit read and write computer memory using Josephson technology.

A MITI official confirmed last week that research into Josephson Junctions would continue in parallel with work on gallium arsenide, silicon and high electron mobility transfer devices.

Facsimile

Low cost Muirhead transceiver

MUIRHEAD HAS announced a desk-top group two facsimile transceiver which costs under £2,000 and is fully approved by British Telecom.

It incorporates a "skip white space" facility, which means that an A4 document can be sent anywhere in the world over the telephone line in 30 seconds.

The new machine, the Mufax 6800, needs neither ink nor toner but uses instead a thermal printing head and an automatic guillotine cuts the paper at the end of each transmission.

All that is needed for installation is a standard 240-volt supply and a telephone jack socket. More on 01-650 4888 (Fax 01-650 1576).

Software

Neff's package

SUITABLE FOR warehousing, distribution and manufacturing companies is a computer system from CMG Information Services that covers accounting, stock control and management reporting.

The system was originally developed for and is now offered in conjunction with NEFF (UK), the kitchen equipment company. Costing from about £15,000, the online system is provided as a complete service with display units and printers installed in the user's premises and linked into CMG's own computer centre. It can be converted to run on a company's own machine is desired.

Once installed the terminals can be used to give immediate access to stock position, debtors, creditors and similar data, with facilities to enter and process customer orders. More on 01-578 4563.

UK ACCOUNTANCY

Towards the era of advertising

BY ALISON HOGAN

The Office of Fair Trading, led by Sir Gordon Borrie, its Director-General, has been fighting the monopoly and restrictive practices of the professions for over 10 years.

Its line of attack has been low key—a patient sniping away at the most flagrant practices which Sir Gordon says "lead to inefficiency and high charges to the general public, undue conservatism and a sluggish attitude to change."

The OFT has sometimes incurred the scorn of the professions for an apparent ineffectiveness in enforcing the changes it calls for. In 1978, three years after the Government set up an investigation into accountancy, a report was published charging the profession with restrictive practices and calling for a ban on advertising. It was virtually ignored.

Sir Gordon joined the OFT in 1976 and, undeterred by the lack of response, continued to put pressure on accountants and other professions on three main issues: mandatory fee scales, non-competitive tendering for work, and advertising. He scored some successes.

Architects and surveyors have abandoned mandatory fee scales and competition for tenders has increased. Progress on advertising had been minimal until the last couple of months, when it appears that the OFT's policy of chipping away at the bastions of privilege has so undermined the foundations that the whole edifice is beginning to crumble.

Last week Sir Gordon delivered a keynote speech entitled "The professions—expensive monopolies or guardians of the public interest." With the Stock Exchange problem so summarily removed from his hands, he is concentrating his attention on the professions again, and in particular on advertising restrictions.

On Thursday, just three days after Sir Gordon delivered his speech, the Law Society council met and agreed to permit, for the first time, limited advertising consisting of a small box in a local newspaper simply stating the name and business address of the law firm. The accountancy profession introduced this so-called tombstone advertising in October 1981.

Sir Gordon's speech on Monday came as no bolt from the blue. It had been widely anticipated, and encouraged both accountants and lawyers to take steps they had already been considering.

Hugh Routledge

Sir Gordon Borrie, of the Office of Fair Trading

Mr Christopher Hewitson, president of the Law Society, told its annual conference last month: "We may have to re-examine our inbuilt prejudices against individual advertising, natural in yesterday's world but not necessarily to tomorrow's."

The Council of the Institute of Chartered Accountants in England and Wales has gone further and recommended to its members that they should permit full-scale publicity and advertising as long as it is "in good taste."

Views on the influence of the OFT in pushing the profession down the road to deregulation vary. One accountant said it was "overwhelming." Others say market forces were pushing them that way anyway and use the threat of OFT action to carry more reluctant members of the profession along with them.

The profession has undergone major changes in the past 15 years or so. It has become increasingly specialised, and in doing so encountered greater competition from other professions offering taxation, consultancy and corporate finance advice.

The growth in the size of firms has widened the recruitment market. A couple of years after the lifting, in 1967, of limits on the number of partners in a firm, the first controlled circulation magazines aimed at the profession appeared on accountants' desks—free of charge, with revenue coming from advertising.

Mr Bob Willott, partner of chartered accountants Spicer & Pegler, was the first editor of Accountancy Age, which Haymarket Publishing launched in December 1969.

"It was the first magazine for accountants which used a news format running stories in a visually and vivid way," he said. "Suddenly, from being a faceless and unattributable profession, accountants could be seen and were quoted."

The firms were extremely sensitive to having their names mentioned at first, but relations improved after there had been a couple of double page spreads featuring such doyens of the profession as Sir (now Lord) Henry Benson.

In the 1970s, against the background of the OFT investigation, the large firms became more publicity conscious. Mr Ian Hay Davison, who has never appeared shy of the Press, was one of the first to make use of the services of a public relations consultancy when Arthur Andersen asked Mr John Newton to act for them in 1977.

In 1979, Touche Ross became the first of the Big Eight to employ a full-time in-house public affairs director, Mr George Westropp. He had a background in financial journalism and public relations and admits that "before joining, my colleagues thought I would face a terrible problem working for a very conservative profession."

Instead he found "a pool of tremendously intelligent people who quickly grasped the implications of marketing and publicity for client service.

"Competition in the accountancy world was increasing, our clients were expecting new things from us, and other agencies were encroaching into our traditional areas. We had to do something about it."

Touche Ross is now firmly in favour of a loosening of the advertising restrictions along the lines proposed in the recently-issued discussion document from the English Institute.

It shares the commonly held belief that the existing code of practice is unenforceable and that publicity in the form of technical booklets for clients or the sponsorship of appropriate projects would not bring the profession into disrepute.

Even the Scottish Institute, which has been more reluctant to lift restrictions, accepts the inevitability of an increase in publicity. Its main reservation is that a free-for-all in advertising could arise with firms taking large spaces in newspapers to advertise their services.

Mr Westropp says he does not think this will happen. Touche Ross has no plans to expand its advertising budget.

"We don't think it would be helpful. It could even be counter-productive since we aren't sure that our corporate clients would think highly of us for doing it."

In the U.S., where advertising has been allowed since 1977 Touche Ross did advertise initially. "When we could not identify one piece of business which had come as a result of the advertisements, we withdrew," Mr Westropp says.

Accountants still have serious misgivings about the relaxation of rules. Many medium-sized firms are concerned that they will be outgunned by the larger resources of the top firms.

Mr Norman Staveley, a partner in the firm of chartered accountants Kidsons, consistently has opposed advertising on the Institute Council.

"The OFT says it is operating in the public interest, but I have never heard any section of the public clamour for us to advertise. The public money spent funding the OFT should be directed to more worthy causes."

He also fears that with deregulation, accountants will be "pestered by calendar manufacturers and the like, inviting us to advertise."

Mr Staveley's concern for the standing and reputation of the profession is widespread and much will depend on the interpretation of a new simpler code of practice to prevent "misleading, dishonest or knocking copy."

Such interpretation will be about as precise as the accountants' interpretation of a "true and fair" view. They know what they mean even if they cannot define it.

Sir Gordon is heartened by these developments, although he has little time for the opposition of the Association of Certified Accountants which describes self-advertisement as "distasteful."

The most recalcitrant professions now, according to Sir Gordon, are the opticians and the veterinary surgeons. The lawyers may get a slight reprieve because of last week's decision to allow some advertising. But the controversial issue of conveyancing is one close to Sir Gordon's heart. Tombstone advertisements—as proved to be the case with accountants—are likely to be only a very temporary first step.

The rise and rise of the Third World

By Peter Bruce

THE CONVENTIONAL view of leaders of the West's big steel industries is that they are forged from the rugged metal they produce. Theirs is a world of hard hats and searing temperatures. But tough as they may seem steelmakers do have nightmares.

Their bad dreams have developed a nasty habit of coming true, just as one did this week when it became clear that the Indonesians are intent on building a $500m plant to produce some 300,000 tonnes of seamless pipe a year. No developing country yet produces this very sophisticated product and although the reaction to the news from Western seamless pipe manufacturers varied little —"frightening," said one, and "unbelievable" according to another—the Indonesian move should surprise no-one.

In 1972, the combined crude steel production of Latin America, Africa, the Middle East and Asia (excluding Japan) totalled 57.3m tonnes. By 1981 those countries were producing close to 110m tonnes.

On the face of it, the increase in Third World production has been an exercise in import substitution. The Indonesian authorities argue, for instance, that the new seamless pipe mill will service the requirements of their local oil and gas industry. But the introduction of nearly 60m tonnes of world crude steel capacity has devastated the traditional export markets of the big U.S., Japanese and European producers. Increasingly, too, as developing economies wilt under recession, steel has become a vital means of channelling foreign currency into the Third World.

Just a year after the successful negotiation of curbs on imports of European Community steel products to the U.S. it has become clear that the gaps left in the U.S. market are being filled almost entirely by Third World imports.

In general, U.S. steel works are much older than those in Europe or Japan and the industry is vulnerable to predators. Nevertheless, United States Steel, the biggest U.S. producer, has reacted fiercely to the new imports and identified their sources in a wide range of unfair trading suits.

Earlier this month, U.S. Steel filed suits against Brazil, Mexico and Argentina. It plans to follow these up soon with actions against South Korea and South Africa and also against Spain. More than 40 per cent of the steel imported into the U.S. now comes from non-EEC and non-Japanese producers. Bethlehem Steel, the number two U.S. producer, is attempting to take the U.S. steel actions further by lobbying for an across-the-board imposition of quotas.

The Third World steel industry is clearly no longer merely about import substitution. Equipped with the most modern plant available, developing countries have broadened their initial focus on such simple products as rods and bars to sophisticated strip and alloy steels and, now, seamless pipe. They can be highly competitive, as Posco's rating in the chart shows.

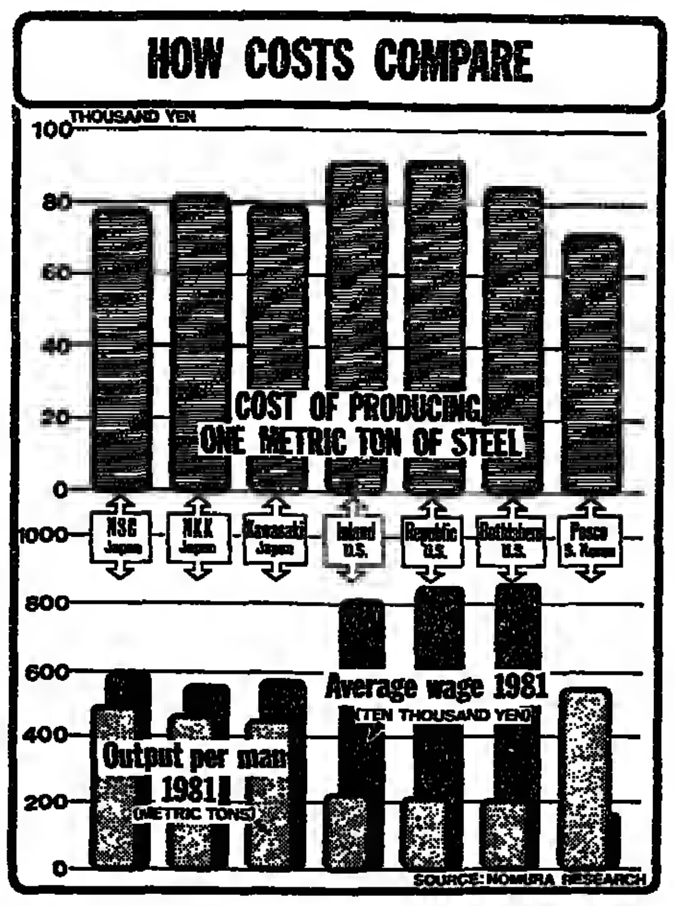
Exports from Argentina, 607,000 tonnes in 1981, rose to 891,000 tonnes last year. Brazilian exports rose from 1.8m to 2.3m tonnes, with Mexico increasing exports from 42,000 to 305,000 tonnes. South Korea exports totalled 5.9m tonnes last year, a dramatic increase from 1.6m tonnes in 1978. Taiwanese exports reached nearly 2m tonnes in 1982 after 1.1m tonnes in 1981.

Many of the new prodncers no longer try to conceal that they are competing with traditional steelmakers, even as exporters. And, although U.S. manufacturers argue that most steel produced in developing countries is subsidised, this is unlikely to cut any ice with Indonesia when it begins making seamless pipe.

The Japanese, in particular, already nervous about the effect the relatively small amonnt of imported steel is having on domestic prices, must be appalled at the ease with which Jakarta is apparently going to be able to turn on the seamless tap.

The market for seamless pipe totally collapsed last year after a three-year boom. Four of the big five Japanese producers, Nippon Steel, Sumitomo Metals, Kawasaki Steel and Nippon Kokan have been caught in the middle of major seamless pipe expansion schemes. One new Japanese mill has just come on stream and another three are being built.

None of the Japanese producers expects that seamless pipe prices will ever recover to the $1,400 per tonne level of 18 months ago. The product is now being sold for less than $500 per tonne, well below cost, and the prospect of further capacity coming on stream, and probably subsidised capacity at that, could deal a severe blow to hopes of at least a modest strengthening in the market.



Graham Lever

Currencies converted at average 1981 rates: Y227.5 and Korean Won 681 to the U.S. dollar.

Indonesia, however, is still a minor player in the new steel league. The most damaging competition for Western producers is coming from Brazil, South Korea and Taiwan. And there is no sign of a let-up.

● Brazil has tried to double its steel exports to some 4.5m tonnes this year, with output forecast to grow 12 per cent to 14.5m tonnes. All the old calculations have been thrown into reverse by the country's debt crisis. In 1971, when the Brazilian Government decided to focus on steel production as a major part of its industrial expansion plans, consumption forecasts looked very rosy.

The plan was to take production of crude steel up to 18m tonnes (some 4m tonnes more than the capacity of the British Steel Corporation) for domestic consumption, with 2m tonnes for export.

By 1980, however, when capacity had reached 18m tonnes, it became clear that demand was not keeping pace. Brazilian consumption, in fact, fell from 14.5m tonnes in 1980 to 12.3m tonnes the following year. Given the need for foreign currency, combined with falling steel demand and rising output, U.S. Steel estimates of an 80 per cent dumping margin on Brazilian imports into the U.S. may not be far from the truth.

According to the respected U.S. publication, American Metal Markets, Siderbras, the Brazilian steel authority, is in debt to the tune of $7bn. The Government's further steelworks expansion has also run into trouble and it now has to decide whether to complete construction or to mothball the plants.

In one case, Companhia Siderurgica de Tubarao, Kawasaki Steel of Japan and Finsider, the Italian state producer, were persuaded to take a 25 per cent stake each in Brazil's Tubarao iron and steelmaking plant. That is due to come on stream this month but will be capable of producing steel slab only.

The decision to be faced now is whether to continue with plans to make Tubarao an integrated producer of finished steels. Unless the Government goes ahead with the full scheme Tubarao will remain, in the words of one German producer, "a white elephant."

The plant will have to shut temporarily or, as is more likely, produce slab and export it, a prospect that the U.S. authorities will watch closely.

● South Korea's Pohang Iron & Steel Company (Posco), which already produces more than 75 per cent of the country's output, is spending $2.2bn on a second works due to come on stream in 1983. Steel now accounts for more than 4 per cent of GNP and 11 per cent of exports.

With Korea still importing around 2m tonnes of steel a year, arguments for import substitution are plausible, especially as the industry is considered vital to national security. The 2.7m tonnes to be added when the new Posco works come on stream will boost national output to more than 9m tonnes.

Nevertheless, Korean exports have risen more sharply than those of any other developing nation, more than 1,200 per cent since 1972 compared to 600 per cent for Brazil and 144 per cent for Argentina.

Posco is particularly remarkable for its low labour unit costs, said to be less than a third of the average among the big Japanese producers.

The Japanese producers, who tended to regard their domestic steel market as inviolate, have been alarmed at the way the Koreans appear to be spearheading an attack on that market. Last year imports into Japan rose 26 per cent to 4m tonnes, with Korea taking a 73 per cent share and Taiwan, second, well down at 13 per cent.

● Taiwan produces about 7.5m tonnes of steel a year, with output spread among nearly 200 small mills. The China Steel Company, however, accounts for more than 40 per cent of total output and plans eventually to raise its output to 8m tonnes a year.

China Steel's charter does not allow it to export so great an amount as the Koreans. The company tries to sell 70 per cent of its product on the domestic market and has been consistently profitable. But company officials point out that the plant needs to run at full capacity to stay in the black and that fluctuations in the domestic market might have to be matched by changes in its export pattern.

This is reflected in Taiwan's overall export performance over the past seven years. In 1976, exports were 283,000 tonnes, rising to 894,000 tonnes in 1978, and 1.5m tonnes in 1979, falling to 772m tonnes in 1980 and rising again last year to 1.9m tonnes.

The rise and rise of Third World steel has had an important effect on the thinking of steel executives in the West. Many now make the fashionable point that the time is ripe for the introduction of a new order in the industry, with basic steelmaking shifting away from the industrialised countries to those where cheap raw materials are available. It would then be left to the Western producers to buy in slab and billet and apply expensive new techniques to finishing it.

There is, however, little reason now why such an option would prove attractive to the new producers. They are already making finished products more efficiently than many traditional producers.

There is also a sense in which the concerns of Western steelmakers at loss of export markets and at import penetration are symptomatic not of competition beyond their control but of their own malaise. The Third World is still a net importer of steel, despite the ambitions of governments such as those in the Philippines, Nigeria and India where, for instance plans exist to double present capacity to 22m tonnes a year by the end of the decade. But in each of the three, funding problems have led to delays in construction of plant and, in some cases, outright cancellation.

Very slowly, observers believe, Western producers have begun to realise that competition from the Third World can be met only by efficiency and modernisation.

THE ARTS

Sheffield Art Galleries

The artist on the factory floor

William Packer reports on a scheme in which artists spend time as employees of a company or local authority.

These are days when the question of subsidy for the artist is always most poignantly at issue, as we wait through a seasonal ritual of anxiety and special pleading to learn just how big the Government's Subvention Cake will be, and whom the Arts Council proposes to invite to take a slice. The debate grows this year hotter than ever, as more and more legitimate claims are entered, that can only make the cake, nominally larger though it is, more than ever inadequate. In all the fuss it is sometimes hard to remember that only within comparatively recent memory has there been a cake as such at all.

To make the point, however, is not for one moment to argue that we should embrace again such self-denial; for if the absence of significant and sustained public support for the arts is now unthinkable, it can only be because our particular experience has shown us decisively that such public support is not only necessary but right, most certainly so in any society that cares to think of itself as even half civilised. But to acknowledge the necessity is one thing, to go on to consider it to be exclusive quite another, and it is the danger of an unthinking and unqualified reliance that we must guard against.

For the best support an artist can ever get is also the simplest and most direct: that which is given him by the client who so admires his work that he is prepared to buy it. There is as ever plenty of high-minded talk in official circles of the social desirability of private patronage of the arts, at both personal and corporate level; and yet it remains a signal curiosity of our public life that very little more than talk is done to stimulate it or otherwise make it possible, at the point of commission or purchase. These are straitened times and the public purse kept very close: and yet we persist in punishing the collector by taxing his interest in the work of his contemporaries as though it were a luxury, instead of trying to make sure that the living artist is successful enough to be worth taxing. Primitive economics perhaps: but where are the serious British collectors of British art? The list is very short.

Any intervention in the field is, therefore, to be welcomed, if only for its good intentions: and how much more welcome it is should it prove itself imaginative and actively helpful. Earlier this year, Yorkshire Arts, the regional arts association, in association with the Arts Council, ran the third of its "Artist In Industry" schemes. The idea is simple enough, and not exactly new: to provide an artist with a salary for a month or two, and to place him with a local factory or corporation which, for its part, would supply full practical facilities and free hand to the artist to get on with his work in his own way. The difficulty is to persuade business to give the trick to achieve the appropriate placement, but Yorkshire's scheme seems to prosper, growing from four artists placed in 1979, to six in 1981, and now to this year's eight.

Such evidence alone is encouraging, but there is rather more to it than that. The minimum term of the engagement was to be two months, which, since its part was to supply the salaries, fixed now at £750 per month, committed Yorkshire Arts to an outlay of £12,000. At the end of it all, and as a direct result, more than twice that sum was generated by the scheme, in further commissions to the artists and purchases by the participating companies, and in kind through extensions to certain of the arrangements — and the account is not yet closed.

The benefits in terms of personal contact and understanding were quite as impressive, for all that they were predictable. Having persuaded management to take the artist in, there was then a workforce to be won over for the position to be tenable; and if suspicion, even open hostility towards the artist's mysteries, sadly commonplace and to be expected, were not enough there might also be a certain resentment, understandable if illogical, at the place of a redundant workmate being so inexplicably filled. But artists are human, and if the work did not always turn out to be quite what was expected or wished for, the serious application to it, and effort put into it, could be clearly seen, and could be not only understood but respected. And respect once won, the work could be considered again, in a fresh and more sympathetic light, though it still might not be altogether clear.

The participating companies were: Bradford and District Newspapers (the artist — Carmel Buckley, a sculptor and print-maker); The North East Gas Board (Avtarjeet Dhanjal, sculptor); Davy McKee (Sheffield) Ltd (Andrew Hambleton, etcher); Systime Computers Ltd (Johanna Mowbray, sculptor); The Central Electricity Generating Board (Hughie O'Donoghue, painter); Coeplands (Doncaster) Ltd (Alan Stones, painter); Rowntree Mackintosh plc, York (Colin Wilbourn, sculptor); ICI plc Huddersfield (Jessica Wilkes, painter). The results are as varied as they are particular to each collaboration, from the expansive and loosely stated expressionist landscapes of O'Donoghue, windswept hillsides and looming cooling towers, to Alan Stones' quiet realism in the cake factory, with Hambleton's chiaroscuro rolling mills, Dhanjal's landscape interventions, and Wilbourn's chocolate still life sculpture in between.

'Alan Washing Down' by Alan Stones

But it would be invidious to say too much about any one of the artists. It is in the nature of the exercise that the work of one should be more successful than that of another, and that in any case the artists as a group should be more promising than established, the experience for the moment more important than the practical achievement. It is the project itself which should be celebrated, and there is all the scope in the world for any further private initiative. Davy McKee Ltd, the Sheffield steel company, has already taken its own support a little further, sponsoring the first showing of the exhibition of work from all eight projects that Sheffield City Art Galleries have arranged at their Mappin Gallery (until December 4, than on tour for eight months to Scotland and the north of England).

The City Art Galleries are themselves a model of what civic galleries should be, under Frank Constantine, until his retirement as director, and now under Julian Spalding, his successor, conspicuously energetic in their exhibition policy, initiating important projects whenever possible, and always trying to keep their collection alive and growing, though in the most difficult circumstances. They enjoy a national reputation that does the City enormous credit. Two shows now at their other centre, the Graves Gallery, may not be very big, either in scale or ambition, but they are entirely characteristic of their habitual and necessary public function: informative, educational interesting. "Light," which I saw, has by now been succeeded by "Movement," another demonstration of the infinite variety of suggestion and effect that artists can conjure out of their box of tricks: and "Mary Hezdam" celebrates a modest and forgotten but none the less positive talent, most especially as a draughtsman and etcher, that was cultivated at the Slade in the nineties, in the time of Augustus John and his sister Gwen, and blossomed in the period of Palmerian romanticism in British print-making between the wars. Sheffield City Art Galleries are certainly, as the slogan has it, Services Worth Saving.

Hansel and Gretel/Glasgow

Rodney Milnes

Hansel and Gretel is one of those operas — like *Rienzi*, though in an entirely different way—that can only be viewed within the context of what has happened since its composition in 1893. Certain details, like the ovens for cooking children in, have acquired gruesome connotations and the boundless optimism of the finale grows ever more difficult to take; it was certainly uncomfortable to listen to it in the week of Tripoli and Baddawi. Yet in the end Humperdinck's score, the last 20 minutes of which seem to contain the whole of *Fidelio* in concentrated form, is as unquenchable a statement of faith as Beethoven's, and as profoundly stirring.

Such considerations were central to Peter Ebert's excellent production for Scottish Opera at the Theatre Royal in 1978, of which this is basically a revival — though one would never know it, since Mr Ebert's name is nowhere to be found in the programme (operatic fueds in Glasgow die hard). This is not to belittle the contribution of Stefan Janski, the producer credit in the programme, who has fashioned an efficient staging that works well on its own terms. But sets (Sue Blane) and costumes (Maria Bjornsen) make now as then so powerful and unsentimental a visual statement that any producer's work is to a certain extent circumscribed. Unfortunately Mr Janski has jettisoned Ebert's one masterstroke—the use of a revenant family of (perhaps) holocaust victims for the Dream Pantomime—and replaced them with conventional Christmas-card angels, all of them far too young for an emergency such as this. And he has retained the one miscalculation from the original—the cosy muppet-style monsters in the forest scene, where the terror is so much more vividly suggested by the orchestra. A pity.

The revival is musically very strong. Stephen Barlow and the Scottish Opera Orchestra give a most distinguished account of the score, relaxed, phrased with freshness and insight, unfolding with natural ease, never forced or harried. The painstakingly achieved clarity of texture very properly places the music as much in the sound world of Mahler as that of Wagner and the piece makes its impact all the more powerfully for never being over stated.

Deborah Rees and Rosanne Creffield are well cast as the children, they look and sound credible. Miss Rees's sweet, bright soprano is as clearly projected as Gretel's comparative maturity, and Miss Creffield tactfully avoids the tomboyish side of Hansel as well as missing a little vocal weight at the bottom. Regina Sarfaty is a conventional Witch (in 1978 the role was taken by a tenor, which brought some nasty overtones of Eichmann), catching a neat balance between comedy and menace. Her tackle is as truly fiercesome as her diminutive-ridden baby talk. Enid Hartle is sadly miscast as Gertude (a potential Brünnhilde is needed, not a soft-grained mezzo) but does her best and David Marsh is a capable Peter. Yvonne Barclay (Sandman) and Una Buchanan (Dew Fairy) are first rate and the large children's chorus contributes strongly to the finale. The opera is playing in rep. in Glasgow and Newcastle until the second week of December.

Black White Red/ICA

Martin Hoyle

Rooks cawing, dead leaves. A prostrate female rolls over and demolishes a sandcastle. She chants a German song. A pile of leaves stirs, a baby doll emerges.

Thus the opening of Three Women's show. More of the same follows during the next hour. The performers are attractive. Lighting, sound cues, film projections and even dripping water work impeccably. Mike Figgis, 10 years with The People Show, is named as collaborator.

My favourite moments include the appearance of a screeching crone ("way-ay-yah-wah!") in the audience to offer a ladle and bucket to random spectators. They react with the terror-stricken smiles of Britons suddenly faced with culture.

The crone busies herself with water. An evening-gowned woman soliloquises, teasing out the final syllables just as you had given them up ("bo . . . t . Islan . . . d.")

Projections of baby, mother, old woman and lovers do their bit to illumine the ostensible theme, "women and mystery." I cannot fault the company's approach. There are three women. And there is mystery; an hour of it.

Beautiful presentation, I suspect, conceals truisms about the role and development of women. A fairly concentrated hour of symbolism is at times so abstruse as to make the audience feel like intruders. Still, physical discipline, an imaginative use of space, and the obvious dedication of Zena Dilke, Claudia Prietzel and Tessa Schneideman make one forgive the entrance of one of them dressed *à la bohémienne* and bearing a startling resemblance to Lindsay Kemp as Carmen.

Poets by artists

Antony Thorncroft

The Poetry Society is co-operating with the Contemporary Portrait Society for the latest exhibition in its elegant Earls Court Square premises—eighty nine portraits of poets, many of which are for sale.

The artists fall into three categories—members of the CPS, those invited to contribute, and an "open" section where there were prizes for the best submissions, presented by Carel Weight and Adrien Henri.

In the main a conventional study of the face seems less to capture the poetic soul than, for example, the portrait of Ted Welker which artist Thomas J. Coates confesses to have begun as doodles during a public reading. This, together with a more conventional portrait of John Fairfax, won Coates the first prize.

Some poets are represented by more than one artist—Samuel Beckett, for example, is the subject of a bronze by John Ashley Somerville and an engraving by Jacqueline Moreau whose work is among the best on show. John Lennon is the subject of another Somerville bronze. Prices range from £45 for an etching of Cocteau to £2,000 for a self portrait by Brigid Marlin.

This is not the Poetry Society's first venture into the visual arts. It recently displayed the work of Charles Tomlinson and John Loveday, who use graphics to complement and ornament their poetry, and there is an attractive permanent display of photographs of poets on the main staircase. The present exhibition continues until December 19 and will be followed next year by portraits of writers by John Bratby.

Concert opera thrives in New York

Andrew Porter reports on recent performances, including debuts by British singers.

Concert opera in New York, and elsewhere, serves at least three, often linked, purposes: the presentation of rare, choice pieces that might not justify the expense of a full production; the introduction of singers not available for a full theatre run but free for a single performance (Callas, Sutherland, Caballé, Felicity Palmer made their New York debuts in concert operas); and the possibility of performances brought to a higher degree of musical polish than is possible in the burly-burly of American operatic life. Concert presentations by Solti and the Chicago Symphony have demonstrated the last; and now Muti and the Philadelphia Orchestra follow suit.

Solti, Muti, Abbado, Carlos Kleiber, Bernstein, Colin Davies—and, for that matter, Ozawa, Maazel and Mehta—never conduct in the opera houses of America, although they do in those of Europe. Haitink came for an unhappy *Fidelio* revival and has not been back. The public complains. The Met, when taxed, says that they are invited, but things don't work out. The basic trouble seems to be that they can't be offered acceptable conditions. Covent Garden plays no opera but *Werther* in the month when its *Boris* is in rehearsal, and nothing but *Boris* for the month after it opens. The Met churns out seven opera performances a week, week in, week out, whatever else is happening. There are pros and cons on both sides of the repertory versus stagione argument. I won't go into them here. But the result is that Met conducting generally means James Levine (who conducts nearly all the new productions, which do get rehearsed) . . . and the rest.

In Chicago this season, Solti conducts *Moses and Aron* and Abbado conducts *Wozzeck* in concert. In Philadelphia, Muti conducted *Macbeth* in concert, and brought it to Carnegie Hall. It was a *Macbeth* more exquisitely played than any I have ever heard—detailed, delicate, enthralling. It was also dramatic—more exciting than any I've heard since Fritz Busch's. Elizabeth Connell made her New York debut at Lady Macbeth; she was vivid, various, and brilliant. Renato Bruson was a noble, subtle Macbeth, until toward the end he began to push his voice, and push it off-pitch. Luis Lima was a fervent little Macduff. Simon Estes was sonorous as Banquo, but he tended to sing notes, not words.

I've often found Muti much too rigid and dictorial an opera conductor; luminous textures, ravishing timbres, but no feeling at all for the rubato that brings phrases to life. In this *Macbeth*, he seemed readier than ever before to give both singers and players the space they need to make Verdi's music expressive—as if aware that the strict *come scritto* approach is not merely unscholarly and unstylish but also ineffective.

Carnegie has its own opera-in-concert series, with Matthew Epstein as artistic director. Last season it was three start-cast Rossinis (*Lo donna del lago*, *Tancredi*, and *Semiramide*), with Marilyn Horne as travesti in each. This season, it's three operas comiques with Frederica von Stade as their heroine (la Périchole, Mignon) or hero (Massenet's Chérubin). Next season, three Handels with Miss Horne as Orlando, Ariodante, and Juno. *La Périchole* was a happy performance. Miss von Stade—who's been a bit dullish in recent years, as Cendrillon, Mignon, Rossini's Ellen — had recaptured all the naughty sparkle of the *Cherubino* that at Glyndebourne and Covent Garden won every heart. Her timbre was bewitching, her timing perfect. It was quite different from Maggie Teyte, from Jennie Tourel, but not less captivating. She used the music, as surely Hortense Schneider did, to flirt with every men in the ball—delicately, deftly, not coarsely.

Neil Rosenshein was a bonny Piquillo, but he needs to cultivate a lighter, brighter sound, with crisper words, for his French repertory. Renato Capecchi was a witty Viceroy who—just—didn't overdo the relish. John Ryatt was a keen and funny Don Pedro. The Viceroy—and narrator—should have been Donald Gramm: the performance was dedicated to his memory. There was a dreadfully cute English narration by the television comedienne Madeline Kahn; one had to switch it out. Mario Bernardi conducted with easy elegance.

On a smaller scale—in the 460-seat Merkin Hall—Handelians find nourishment in the annual series of dramatic oratorio presentations by the Sine Nomine singers, given with a capable baroque band, and conducted by Harry Saltzman. *Theodora* last year, and this year *Hercules*—a dramatic masterpiece that, as Winton Dean has rightly remarked, "should be in the repertory of half the opera houses of Europe." It was a performance to arouse, or confirm, enthusiasm, although it did something less than justice to the grandeur and dramatic force of the work. The group can't afford big singers. (The Met should mount *Hercules* for Marilyn Horne.) Marianna Busching, the Dejanira, made a brave stab at the tremendous role, without effacing memories of Monica Sinclair's "Resign thy club." The Hercules, Jan Opalach, was oratorio-bland.

Rosalind Plowright has made her New York debut in the title role of *Die Liebe der Danae* (a New York premiere), done in concert, in Carnegie, by Eve Queler and her Opera Orchestra of New York. Miss Plowright was clamorously acclaimed, but I thought she sang far too loud—with an almost Nilsson-like force of bright, narrow projection. It was certainly striking, but suggested an open-air Turandot or Brünnhilde, not Strauss's warm, loving heroine. Jupiter, who is another Wotan, was well sung by Roger Roloff, America's new young Wotan; he has a firm, healthy heroic baritone of excellent quality. William Lewis was a tight-timbred but efficient Midas.

Miss Queler—exciting in Donizetti, in Verdi—proves somewhat disappointing in Strauss. (Last season she did *Guntram*, with Rainer Goldberg in his American debut.) *Danae* is a gorgeous opera—Strauss's serene, rapturous farewell to desire, tenderness, and illusion. I've loved it since its premiere, at Salzburg in 1952; loved it in the last Covent Garden performances under Kempe. I wish Karajan would record at least the closing stretch, from the warmly emotional interlude to the end. Miss Queler pressed it all rather too hard; it didn't glow, breathe, soar, sing. It was loud, airless, insistent. Mean of me, however, to say these things; without Miss Queler, New York's operatic life would be duller.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

November 18–24

PARIS

Madame Butterfly once in the original and once in the traditional version with Helene Garetti as Madame Butterfly and Christa Ludwig as Suzuki in the original version and Raina Kabaivanska as Madame Butterfly and Helia T'Hezan as Suzuki in the traditional Paris Opera (742 5750)

The Seven Deadly Sins by Kurt Weill in its scenic version and Maestro di Capella by Domenico Cimarosa with Sesto Bruscantini in the title role in both works. The National Opera Orchestra is conducted by Stewart Bedford at the Opera Comique-Salle Favart (296 0611)

WEST GERMANY

Berlin Deutsche Oper: The week starts with Lucia di Lammermoor, sung in Italian, conducted by Franco Masini. Die Meistersinger von Nürnberg is presented with Wagner specialists Anne Häggander and Siegfried Jerusalem making his debut as Walther von Stolzing. Tristan und Isolde has Spas Wenkoff and Katarina Ligendza in the leading roles. Orpheus und Eurydike closes the week. (34 381)

Hamburg Staatsoper: Alexander Zemlinsky's Der Kreidekreis returns to the German stage. La Traviata, sung in Italian, features Denes Gulyas and Sona Ghazarian. Berlioz's Die Trojaner is produced by Götz Friedrich. The cast includes Karan Armstrong, Hanna Schwarz and Harald Stamm. Bach's Amadis, rediscovered by Helmut Rilling last year, has Helen Donath, Doris Soffel and Eberhard Büchner. (35 1151).

WASHINGTON

Washington Opera (Opera House): Offenbach's La Belle Helene in a new English translation by Donald Pippin has its first performance this week with Sheila M. Smith as Helene and James Schwisow as Paris in Peter Mark Schifter's production conducted by John Mauceri. The co-production of Cosi fan Tutte with the Orchestre de Paris is conducted by Daniel Barenboim with Julia Varady as Fiordiligi, Katherine Ciesinski as Dorabella, Janet Perry as Despina and David Kuebler as Ferrando directed by Jean-Pierre Ponnelle. Rigoletto, conducted by Cal Stewart Kellogg, features Elizabeth Knighton as Gilda, Victoria Vergara as Maddalena and Denes Gulyas as the Duke of Mantua. Kennedy Center (254 3770)

NEW YORK

Metropolitan Opera (Opera House): The ninth week of the centenary season features the premiere of Pier Luigi Samaritani's new production of Ernani with Luciano Pavarotti in the title role and Leona Mitchell as Elvira, conducted by James Levine. Other productions this week include Don Giovanni with James Morris in the title role, with Edda Moser as Donna Anna, conducted by Jeffrey Tate, with La Traviata and Peter Grimes. Lincoln Center (580 9830)

New York City Ballet (New York State Theatre): The first full week of the season includes mixed programmes with works by Balanchine, Robbins and Tomasson. Lincoln Center (870 5570)

LONDON

Royal Opera, Covent Garden: The new Boris Godunov represents a triumph for the conductor, Claudio Abbado, and a success of more mixed kind for the producer, Andrey Tarkovsky; but the cast, led by Robert Lloyd, Gwynne Howell, Aage Haugland, and Mikhail Svetlev, is strong, and the work emerges without longueurs. The revival of Otello brings together for the first time Placido Domingo and Colin Davis. Katia Ricciarelli and Piero Cappuccilli are the other principals (240 1066)

English National Opera, Coliseum: The new Valkyrie is an uneven achievement, at best theatrically striking, at worst obscure in its visual detail and clumsy in its action. Linda Esther Gray as Brunnhilde, Josephine Barstow as Sieglinde, and Alberto Remedios as Siegmund are the strengths of the evening. The new production of The Rape of Lucretia continues the experiment with Britten's chamber operas in this huge theatre; The Tales of Hoffmann is one of ENO's perennial successes (836 3161)

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Next steps in the Falklands

THE DEBATE in the UN on the Falklands last week was a set piece exchange with Britain and Argentina sticking to well known positions. This was to be expected, since Argentina is still in a transitional phase from a military regime to the installation early next month of President Raul Alfonsin and his Radical Government.

Yet there was a note of complacency about the way Britain emerged from the debate, encouraged by the fact that the voting line-up was virtually unchanged from the previous year when it was held in the heated aftermath of the Falklands conflict.

Solid majority

It would be a pity if such attitudes persist since an opportunity has been presented to both sides to begin the long and difficult process of re-establishing a dialogue. The incoming Argentine President courageously opposed the invasion and he now has the authority of a solid majority vote in a democratic election behind him. Britain could expect neither now, nor in the future, a better man in office.

Britain, and one might as well say the Prime Minister since it is Number Ten that is making policy, is insisting that no move can be made until Argentina formally declares an end to hostilities. The Argentines have not done so partly through pride and partly in the belief that a fortress Falklands policy will eventually become unpopular in Britain, as well as expensive. They also claim that despite Britain's unilateral end to hostilities, certain activities—especially the construction of a new runway near Port Stanley—constitute continued belligerency.

Both sides could take the view that the problem is so intractable that it is best left for the time being. If this course is followed, Britain rather than Argentina has more to lose. For the Argentines the only concern is the continued denial of sovereignty. Britain meanwhile faces the financial cost, almost £700m next year, of sustaining a credible defence of the islands.

And it is not just defence costs. Mrs Thatcher was already embarrassed in September when she had to permit British banks to take part in debt refinancing agreements with Argentina. This issue will resurface again early in the new year. More emotive is the U.S. administration's intention to resume arms shipments to the new Argentine government. There is little doubt that arms sales will soon take place, starting with spares, whether or not Argentina formally ends its state of hostilities with Britain. These arms sales will be uncomfortable for Mrs Thatcher to digest.

Meanwhile, Britain cannot rely indefinitely on its allies to support its Falklands policy once Argentina possesses a democratically installed government.

Thus, although the first move should be made by Argentina, it has less incentive than Britain to do so. In addition, Sr Alfonsin is going to be handicapped by a highly nationalistic electorate united in Argentina's claim to the Falklands. The war reinforced this sentiment, rather than diminished it. Anything perceived as a Falklands sell-out could cause Sr Alfonsin's downfall, and so endanger the country's democracy. Mrs Thatcher, on the other hand, has an infinitely stronger domestic position, and it is always easier for the victor to take the initiative.

The initiative can be taken by Britain in two ways—behind-the-scenes diplomacy or a public gesture; or a combination of the two. The obvious gesture is to remove the 150-mile protection zone round the islands. This is an irritant to the Argentines since their fishing vessels can theoretically gain permission to enter but refrain from doing so since this constitutes recognition of British sovereignty. Britain has already unilaterally shifted from imposing a 200-mile exclusion zone to the current position.

Diplomatic contacts will have to start through intermediaries since there are no formal links. Both the U.S. and Peru have acted as go-betweens in the past, and Peru is understood to be once again ready to help. Using the Americans would have the additional value of dampening controversy over arms supplies. Perhaps only U.S. involvement would persuade the Argentines of the value of talks which would see Britain almost certainly begin by putting the issue of sovereignty on one side.

Last resort

Such diplomatic contacts will be fraught with mutual inhibition and cannot realistically begin until Sr Alfonsin has assumed office. However, Sr Alfonsin could signal his good intentions in his inaugural address, or shortly after, by publicly renouncing the use of force in the settlement of disputes. Specific mention of the Falklands is not necessary since this message would be aimed as much at Chile and the Beagle Channel dispute. The latter is going to be his first foreign policy initiative.

It will be difficult for Britain to take the first step if Sr Alfonsin remains silent on the issue. However, there is in the last resort the compelling reality that no satisfactory solution to the future of the islands and their inhabitants can be achieved without the involvement and co-operation of Argentina.

NIGERIA'S ECONOMY

Shagari's four lean years

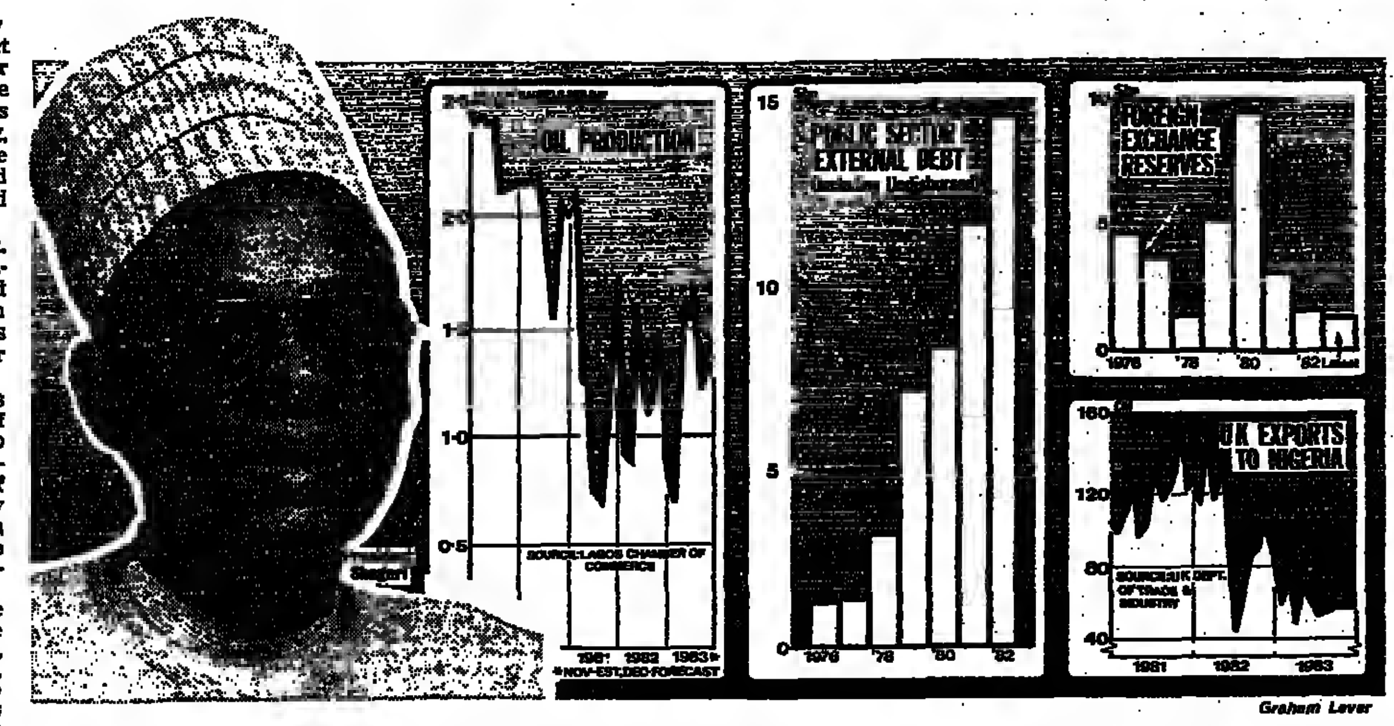
By Quentin Peel, Africa Editor, recently in Lagos

A VISITOR to Lagos today might reasonably expect to be regaled with horror stories about the parlous state of the economy: how inflation is rampant, unemployment soaring, imports disappearing from the shelves, and an IMF-inspired austerity budget is just around the corner.

The truth is rather different. The all-consuming topic of conversation seems to be who will win the election in 1987, when President Shehu Shagari ends his second, and last, four-year term of office.

Given that Nigerian voters finished a marathon round of electioneering barely two months ago, resulting in a landslide victory for the head of state, and an absolute majority for his National Party of Nigeria in the National Assembly, the speculation seems almost indecent.

One explanation would have it that Nigerians are incorrigible political gamblers; another, that they are simply escapists, unable or unwilling to face up to the uncomfortable demands of the present. Both contain an element of truth.



Graham Lever

There is no doubt that the next four years will be critical both for the economic and political development of Nigeria. President Shagari's return to office comes at a time of unprecedented economic depression, brought on by the combination of the international oil glut, and a tradition of chronic profligacy in both public and private sectors.

He is therefore being asked to preside over a period of profound structural readjustment in the Nigerian economy, to reduce its overwhelming dependence on oil, and achieve more balanced and steady economic growth. Yet at the same time, he has to prepare the country for a democratic transfer of power to another civilian head of state in 1987, a delicate process which Nigeria has yet to accomplish after 23 years of independence. He also has to tackle the pervasive cancer of corruption, which constitutes a further disastrous drain on the national economy.

First indications are that the President himself is acutely aware of the challenge. He has appointed a new economic management team (see box) which includes several highly-regarded technocrats, including two brought in from the private sector—his economic adviser, Chief Philip Asiodu, and his budget adviser, Mr Gamaliel Onosode. He has also dismissed four-fifths of his former Cabinet, keeping only eight out of 45 Ministers, and also cutting the total number to 35.

President Shagari's inauguration speech "could have been made by the IMF," according to one Lagos banker. He dwelt on the slump in oil export earnings—from $22.4bn in 1980 to an estimated $9.6bn in 1983—the resulting shortage of foreign exchange, and the plight of a manufacturing sector still heavily dependent on imports.

"We will avoid entering into new commitments with a high foreign exchange content," he said. "We will only give serious consideration to projects based on locally available resources, such as the petrochemical and LNG (liquefied natural gas) projects, which will lead to the revitalisation and diversification of the economy."

The first task for President Shagari's economic team is simply to identify the scale of the problem, when reliable statistics are virtually non-existent. The second is to reach an agreement with the International Monetary Fund on a stabilisation programme to relieve the immediate foreign exchange crisis.

On the domestic front, they know inflation has accelerated—possibly to as much as three figures in the past year—as a result of import restrictions, shortages and speculative hoarding. Food prices in particular have shot up. Unemployment must have risen very sharply, but again, no accurate figures are available.

"If everybody put down in black and white how many workers they had laid off, and added them up, they would fall off their chairs," according to one of the country's largest industrialists.

On the external front, oil income is known three months in advance, but import figures are often months out of date. The Central Bank has balanced its books simply by restricting its foreign exchange approvals to the level of its hard currency earnings, resulting in an ever-increasing backlog of unpaid trade debts.

The most significant development of recent months is that oil production has stabilised close to Nigeria's Opec-allocated quota of 1.3m barrels a day (b/d), after a long period of large fluctuations. That implies total export earnings of some N600m ($800m) a month, after allowing for domestic consumption and production costs—with little prospect of any improvement in the world oil market.

Imports have been drastically reduced since the first half of 1982, when they were still running at some N1.2bn ($1.6bn) a month. British exports to Nigeria—normally some 20 per cent of the total import bill—have fallen by almost half from an average £121.5m a month in the first half of 1982 to only £63.7m a month in the first nine months of 1983.

Inevitably, those import restrictions have had a serious effect on industrial activity in the country, causing temporary closures in many parts of the manufacturing sector as plants run short of spares and raw materials.

However, it is now estimated in Lagos that merchandise trade is roughly in balance, if not slightly in surplus—but not enough to pay for the traditional heavy outflow on invisible payments, leaving a continuing current account deficit. In turn, with foreign exchange reserves effectively exhausted since April 1982 (they have been maintained at an artificial level of around N1bn), that means a steady increase in the arrears on trade payments.

In July and September, the Nigerian Government reached agreements with more than 60 international banks on refinancing some $2bn of the arrears owed on letters of credit—but bills for collection and open account trade outstanding amounts to a further $4bn to $5bn still to be dealt with.

The prospect of a continuing current account deficit, on top of the arrears in trade payments, has made agreement on a programme with the IMF all the more urgent. International banks have made it clear that they will not make more credit available to Nigeria without the underpinning of the Fund.

Negotiations with the IMF began in April, intended to lead to a three-year extended credit of more than $2bn, with the possibility of an additional $500m coming from the compensatory financing facility because of the decline in Nigeria's oil exports. At the same time, parallel negotiations were launched with the World Bank on a structural adjustment loan of some $300m.

Both sides insist that substantial progress has been made, but a major difference of principle remains over the issue of devaluation. In addition, the IMF has been side-tracked by its own financing problems, and any loan will now have to be made under the new quotas and rules prevailing after January 1.

The key to the argument is over the need to promote domestic production in Nigeria, both in agriculture and manufacturing, to reduce the country's oil dependence and huge import bill, as against the inflationary effects of a devaluation.

Both the Fund and the Bank argue strongly that the naira has become progressively overvalued during the years of oil boom, thus making imports unnaturally cheap, and discouraging both local manufacturing and agriculture.

The other advantage of a devaluation would be to increase the naira income of the Government from its oil sales, thus reducing the budget deficit.

Nigerian officials, on the other hand, are virtually unanimous in their opposition to such a move. "It would amount to nothing less than a policy of mass suicide for the Nigerian Government," according to one.

"The IMF wants us to reduce subsidies, to reduce differential interest rates, to revise tariffs, and to cut transfer payments to the states," another top official said. "All this will mean increased prices.

"If on top of that we devalue the naira, can you imagine what the inflation will be, and what will be the political implications?"

Apart from the question of devaluation, there is greater agreement, at least between the officials, on other necessary policy reforms.

The World Bank programme involves a review of all major capital spending projects costing more than N30m.

"Most things not started will not be started," according to one official. The only major new projects still pressing ahead are the $1.5bn petrochemicals investment and the $6.6bn plan for an LNG plant.

Steel plans, which include a flats plant, special steels manufacture and a foundry, seem certain to be cut back or indefinitely delayed.

Advisers like Mr Asiodu and Mr Onosode are known to be strong supporters of commercialisation or privatisation of many public sector investments, which include majority stakes in most of the financial sector, hotels, breweries and other industrial ventures.

They also recognise the importance of improving Nigeria's reputation for management of its external payments. Their agenda includes more rigorous control of foreign borrowing (especially by the 19 state governments), reform of the Central Bank system of foreign exchange approvals (which could be decentralised to the commercial banks), and a negotiated solution to the trade arrears.

The question of arrears is now the highest priority, alongside the IMF negotiations, and approaches are being made to the major Western export credit agencies to see if some form of refinancing is possible. The one solution which Nigerian officials are determined to avoid is being forced into a rescheduling of official debts through the Paris Club. "That would mean we were bankrupt," according to one.

Yet if there is now a refreshing degree of realism within the top ranks of Nigerian officialdom, and among the Presidential advisers, towards the country's economic problems, the question remains of how to create a broad enough political consensus to push through the reforms. Many of the projects are close to the hearts of powerful politicians. As for devaluation, it has become such an emotive issue, it is regarded as politically impossible to sell.

President Shagari's overwhelming victory in the election has given him more room for manoeuvre, a more compliant national assembly, and greater personal stature. Yet pushing through an unpopular austerity programme, when many of his supporters are looking for rewards for their campaign spending, will be extremely difficult. But if he fails, he could be passing on an unmanageable inheritance to whoever may succeed him in 1987.

THE NEW ECONOMIC TEAM

PRESIDENT SHAGARI has overhauled his economic management team, bringing together several highly-respected technocrats to resolve the country's formidable economic problems. The main figures are:

Mallam Adamu Ciroma, Minister of Finance. Regarded as one of the most competent members of the previous administration, and a political heavyweight. He was Governor of the Central Bank in the mid-1970s, and a contender to be a Presidential candidate in 1979.

Alhaji Abubakar Alhaji, Permanent Secretary for Finance. A tough and uncompromising civil servant, he has been the key figure in economic policy-making in the past two administrations. Currently leading the negotiations with the IMF.

Alhaji Abdulkadir Ahmed, Governor of the Central Bank. An able technocrat who has had the unpleasant job of restricting payments to the available foreign exchange income since April, 1982, thus stabilising foreign reserves, but aggravating the payments' arrears.

Chief Philip Asiodu, Economic Adviser to the President. One of the "super permanent secretaries" who ran the administration under General Gowon in the early 1970s, comes back to government after eight years in the private sector. A powerful mind and personality.

Chief Gamaliel Onosode, Budget Adviser to the President. An outstanding figure from the private sector, with a reputation for integrity and efficiency. Former chairman and chief executive of Nigerian Acceptances, chairman of Cadbury Nigeria, [illegible] of the Commission of Inquiry into the Parastatals, which recommended widescale privatisation.

The story of an import quota

FEW EXAMPLES of the bilateral pacts that are increasingly tending to infect the world trading system are as perverse as the "self-restraint" that Japan exercises in its export of motor cars to the U.S. The quota, raised recently to 1.85m cars a year, is popular with those Japanese companies lucky enough to have a slice of the action, worries General Motors of the U.S. somewhat because it is in partnership with Isuzu and Suzuki in Japan, takes the heat off the rest of the U.S. motor industry, and leaves the U.S. consumer paying some $2,000 (£1,360) more for a car than he need.

What the Japanese have achieved en masse in the U.S. as a result of quotas is the sort of "rarity value" sales strategy applied so successfully in some European markets by Daimler-Benz of West Germany. Customers have to wait weeks for the model they want. Price discounts do not come into question. Japanese cars on sale in the U.S. tend to be handsomely equipped with optional extras: there is a long wait for those who do not want them.

The unit quota system encourages the Japanese manufacturers to shift the emphasis of their marketing in the U.S. towards the larger and more expensive cars. The margins for these manufacturers are handsome, and the profits on the roughly 30 per cent of their output that they sell in the U.S. cushion their operations in other more competitive market-places.

Constraint

Nor do the big three Japanese manufacturers—Toyota, Nissan and Honda—feel very constrained by the size of the quota, which compares with the record for Japanese car sales in the U.S. of 1.9m achieved in 1980. It is the smaller Japanese newcomers to the motor business who find themselves excluded by their own Government from acquiring a proper foothold in this lucrative market.

Incentive

The restraint agreement was originally a three-year affair which was due to expire in March 1984. The case for extending it for a fourth year was weakened by the sharp improvement in the fortunes of the U.S. motor industry. There was, and is, a growing perception in Washington that the quotas are increasingly counter-productive.

They have removed the incentive for the U.S. industry to become adept at producing smaller and cheaper cars. They have interfered with technology and production tie-ups between U.S. and Japanese manufacturers. They have distorted the U.S. car market at the expense of the U.S. consumer.

Yet it was politically helpful for President Reagan to ignore the liberal principles that are supposed to steer the U.S. economy and arrange a fourth year of restraint. This smoothed the way for his recent state visit to Japan where questions of Japan's protectionism, industrial competitiveness and undervalued currency were high on the agenda. It made sure that the president had a Japanese sacrifice — albeit painless — to show to the blue collar voter in the build up to next year's presidential election.

The story shows how import quotas, originally imposed to protect a market from threatening change, can quickly become the status quo in themselves; involving vested interests and imposed disadvantage among producers and distributors that cut clean across national frontiers, and have little to do with their original objectives.

Men & Matters

Gulf winds

The troubles afflicting Abdul Wahab Galadari and his Union Bank of the Middle East have been the talking point of Dubai for the past few days.

Galadari is one of the most open and talkative merchants in Dubai. But his easy-going international style has earned him much local envy among the tightly-knit business community.

Of Persian origin but now a long-established UAE national Galadari began life in the re-export trade to Iran, India and Pakistan. Gold and silver dealings formed the backbone of his financial empire which now extends from London to Hong Kong.

Galadari came to international attention when he tried to purchase a fabulous collection of jewels and gold plate from India. The Indian Government blocked the purchase on the grounds that the collection was a national treasure.

Galadari went on to try and buy Crockfords the London gambling club. The Gambling Board frustrated that ambition on the grounds that ownership of British casinos by foreigners is forbidden.

Among his more fruitful investments have been several buildings in Piccadilly, London and a big hotel and apartment complex in Dubai.

Now trading is down in the emirates, largely because of the dip in oil incomes and Galadari is experiencing a taste of previously unknown recession.

"Never mind," he says, "I started from nothing. I can do it again."

Zoo man

Where do you find the right man to run a zoo? The answer in the case of the Zoological Society of London, which is facing a deficit approaching £2m this year, is from the ranks of the money men.

John Boyer, aged 57, who has been appointed the Society's new chief executive, is not what what they call in the trade "an animal man." He has spent most of his working life with the Hongkong and Shanghai Banking Corporation, where he became deputy chairman in 1977. Since 1981 he has been chairman of Antony Gibbs which is now a subsidiary of the bank.

Boyer will work alongside the present chief executive, Colin Rawlins, from January, and will take over when Rawlins retires in June at 65.

The Society runs London and Whipsnade zoos, a scientific insitute, and a learned society, with an overall staff of some 400 and an annual budget of some £6m.

Boyer's prime task is likely to be to step up pressure upon the government to provide a measure of permanent support from public funds. After paying its way for more than 150 years the Society was helped through a financial crisis last year by a £1.6m government grant. Its chances of generating extra funds to cover future operating deficits and capital spending needs look slim, however.

Boyer will be expected to work to secure whatever state help can be prised from a reluctant Treasury.

Don't write . . .

Philip Girle, general manager of NatWest's domestic banking division, may have notched up a record. In under a week he has sent out 5,500,000 personal letters—admittedly with a bit of help with the typing and licking the stamps.

Girle's task has been to give a little good news and a little bad news to all the bank's personal account-holders. On the one hand there is to be free banking for customers whose accounts are in certain shape (more than £100 on current account or £500 on deposit). On the other, there will be a quarterly maintenance charge of £3 if your account is down to a few quid or overdrawn.

Only a few hundred customers have replied to their personal letters so far. Which is a relief for NatWest. A lively correspondence with all 5,550,000 out there could prove expensive.

Girles' one friendly letter has cost the bank £850,000.

Trade secrets

One of the specialities of the high-tech VG Instruments group of Crawley—which is about to go public while its parent, Eagle Star, is embroiled in a take-over bid—is detecting ever-tinier traces of chemicals.

It is a leader in the science of the mass spectrograph.

Peter Robinson, a VG director, claims its techniques are so powerful they could pick up a pint of beer poured into the North Sea.

It suggests to me also, that competitors in the Winter Olympics at Sarajevo should beware of taking chemical aids to performance. VG has just sold one of its machines to the Olympic Committee.

Many VG customers are secretive. Samples are delivered and collected again by Securicor. The company is asked to sign non-disclosure agreements.

VG says some of the most reticent of its clients are those who want to poke about in competitve products—scents, drinks, balms, and so on—trying to discover the magic ingredients that make them sell.

It is also the nature of VG's business that its scientist-salesman get access to customers' labs. The joke is how often they find that the line of inquiry about which the client is most secretive is also the line being nursued by its deadliest rival.

Sphinx consults

Just six months after starting up her own computer software company, Sphinx businesswoman Pamela Geisler has received a further £1m of venture capital.

Her three backers include the publicly quoted Abingworth and the APA Venture Capital Fund — both original shareholders — but intriguingly they are joined this time by the venture capital arm of the giant office equipment group Olivetti. The company is well known for its involvement with young high-tech companies in the United States. But this is said to be its first direct venture capital investment in Europe outside Italy.

Olivetti is providing more than half the new cash but precise details of the deal are not being revealed. "This was a planned second round financing" explains APA spokesman Peter Englander. "Sphinx is still very much on target to go public in five years time."

Geisler, formerly European marketing manager for Zilog, set up Sphinx earlier this year to market and support micro-computer products based on the Unix operating system.

All involved now hope that through Olivetti's knowledge of the U.S. market, Sphinx will find it easier to sell software products manufactured in the U.S. and establish a distribution network there.

Cagey

From an Ohio newspaper: "When his wife realised that she would lose him altogether unless she shared him with the other woman sha agreed to participate in a menagerie a trois."

Observer

Letters to the Editor

Privateers and public assets

From Dr J. Toporowski

Sir,—I cannot be the only economist who finds that the Government's sale of capital assets in order to finance its current expenditure is not only offensive to the traditional standards of budgetary rectitude that the Government has adopted, but also profoundly inconsistent with its other declared economic aims. A privatisation programme on the scale envisaged by Mr Lawson can only reduce passive cash savings or else direct into the Treasury funds that would otherwise be invested elsewhere.

In the first case, the sale of public assets for the benefit of current expenditure can only increase the money supply. In the second case, it will "crowd out" other investments, even if a Stock Exchange slump is avoided. Perhaps the Government or one of its sophisticated monetarist enthusiasts could explain these inconsistencies.

(Dr) Jan Toporowski.
28, Warrington Crescent, W9.

From Mr V. Blundell

Sir,—I see that Samuel Brittan (November 17) has come up again with the idea of a share distribution of public assets to every adult citizen. But what of people just below adult age and, for that matter, those yet to be born? Is not the value of natural monopolies and North Sea resources the inheritance of all the people?

Natural resources and natural monopolies should never become private property since as soon as distributed they preempt the rights of following generations. Countries throughout the world are cursed with this kind of unnatural distribution of resources and we are paying for it everywhere today in bloody revolutions.

Let us not add to the sins of our forefathers. Far better to collect the annual rental value of these resources indefinitely for the public treasury.

V. H. Blundell.
63, Oaklands Avenue, Brookmans Park, Hatfield, Hertfordshire.

From Mr H. Hodgkinson

Sir,—Having proposed, in your letters column of July 30 1968 the idea of a "National Equity," dividing the capital of public enterprises equally between every citizen, I was naturally delighted to find Samuel Brittan sponsoring it (November 17) as an alternative to privatisation. (Or should one say privateering for an exercise in selling back to some of us the assets all of us have already paid for once through our taxes, direct and indirect?)

The Athenians had this problem with their equivalent of North Sea oil—"a spring of silver," as Aeschylus calls it, discovered in the Lavrion mines. Instead of sharing out the bonus, they were finally persuaded to use it for what we should now call the public infrastructure, building up the fleet which beat the Persians at Salamis and made our democracy possible.

What by the mercy of Pallas Athene they did not do was to squander it in the quicksands of an inflated public sector borrowing requirement.

Harry Hodgkinson.
45, Linhope Street, NW1.

From the Vice-Chairman, Joint Negotiating Panel, National Nuclear Corporation

Sir,—Early in the life of the Government and in the first parliament, through Tim Egger MP, workers in the National Nuclear Corporation suggested that the Government's 35 per cent shareholding in the company be privatised by the sale of the shares to the staff.

An unquoted company and a monopoly supplier of complete nuclear power stations to electricity generating boards the company is capitalised at only £10m.

With nearly 3,000 staff, the sale of the Government shareholding in 1979 to the workers would have provided roughly £1,000 worth of shares each. Dividends to date would have paid off the cost of acquisition by now and all the workers would have a meaningful share in the company.

Sir Alistair Frame in his evidence to the Sizewell B public inquiry extolled the need for incentive and reward in any new nuclear power company. "Staff striving to become share holding vice-presidents (like Bechtel) will build reactors on time." NNG workers are building two nuclear power stations on time without such incentive.

For by a twist of logic the Government claimed NNG to be a "private company"; the Government kept its highly profitable shareholding and denied NNC staff a chance of a shareholding. Privatisation? ? ?

Bob Ingham,
37 London Road, Holmes Chapel, Knutsford, Cheshire.

Professions and advertising

From Mr A. Nelson

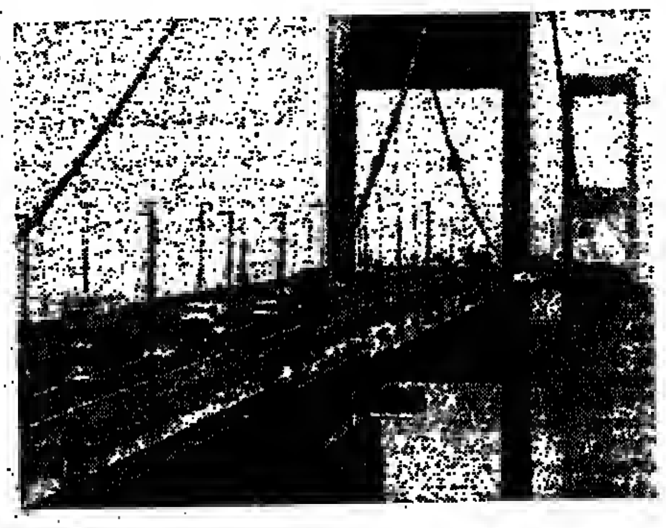
Sir,—Your report (November 14) concerning the Office of Fair Trading's attitude to advertising and the professions is of interest to all professional people.

The notion, held by the OFT that competition and advertising are somehow synonymous is completely erroneous, has been formed on the basis of no evidence at all, and is very difficult to understand. The market for professional services is not capable of being expanded by advertising, and since all costs must be met somehow, they are likely to be met from a relatively fixed fee income. Costs will be increased with the result thet the size of the market will be reduced and/or the less wealthy compelled (in the case of accountants) to resort to the unqualified.

Anyone who believes — as Sir Gordon Borrie appears to do — that accountancy (to take my own profession) is uncompetitive, can only come from the comfy non-competitive environment of the civil service. The move towards advertising is inspired in this country mainly by American experience. In that country, the accountancy profession has certainly not benefited, nor has the American public, from professional advertising, and even there most professionals dislike it intensely.

It would be far better if the OFT turned its attention to the many areas in our business life where there is a real lack of competition, but one supposes that this would be difficult and that they consider professional people and their ideas of proper professional conduct as fair game.

A. W. Nelson,
Hedgerows, Orchard Road, Pratts Bottom, Kent.



Paying for the Severn Bridge

From the Chairman, Cotswold District Council

Sir, — While noting the obvious concern in South Wales on the problems of the Severn Bridge, may I state that the concern is shared by residents in Gloucestershire — certainly those in the south Cotswolds.

Improvements to the A417/A419 have produced a trunk road which appears to be regarded as an acceptable route from the M4 over the Severn at Gloucester and into Wales, and also as a short cut to the M5. This might be acceptable to the Department of Transport but it is not acceptable to the Cotswold District Council and to residents on the route. Further expenditure on by-passes (including completion of the Cirencester by-pass) is urgently needed, along with measures to solve the pedestrian/vehicle conflict and excessive noise throughout the day and night.

At the moment any problem at the Severn Bridge leads to radio announcements about alternative routes—it does not appear to lead to decisions as to bow to solve the problem in the longer term.

H. N. E. Groves.
Trinity Road, Cirencester, Glos.

From the Chairman, Welsh Consumer Council

Sir, — Nicholas Ridley, Secretary of State for Transport, announced (November 18) the lifting of one set of restrictions on traffic flows on the Severn Bridge and the imposing of another, albeit more limited, set. When is the Government going to stop beating about the bush and provide Welsh consumers with what they must have — an adequate, safe Severn crossing?

Welsh consumers pay every day, and have been paying every day for the past 16 years, to "buy" the Severn Bridge. Yet have consumers got value for money? The Welsh Consumer Council says "No."

If the Sale of Goods Act applied to the Severn Bidge we would be entitled to get our money back. It's neither fit for the purpose nor of merchantable quality.

Over the years Welsh consumers have paid a reported sum of nearly £20m in tolls towards the overall cost of the bridge. The least we want now is an adequate crossing, with no restrictions, which is safe to use and a guarantee of no further deterioration for the future. When are we going to get it?

Shelagh Salter.
Oxford House, Hills Street, Cardiff.

Conduct of investment trusts

From the Chairman, Group Investors

Sir,—Lex's article (November 19) raised some important points of principle relating to the conduct of investment trusts. It is right that these should be fully aired and discussed, but unfortunate that the debate should be linked to reports of angry shareholders and suggestions of covert behaviour.

All discussions on the management question between Group Investors and its institutional shareholders have been amicable and constructive. I believe they accept that we have done our best to act correctly, but they have put forward certain views, in the absence of any established precedent, as to the procedures that should be adopted when an investment trust changes its managers.

Last summer the board of Group Investors found itself in the position where control of its management company had been sold to Exco without any warning or consultation, and in circumstances that caused certain of Gartmore's key directors to feel they were forced to resign. One of these was Sam Stevenson, who had managed the Group Investors' account both before and throughout the association with Gartmore, and who had made a major personal contribution towards an outstanding investment perfomance.

Under the terms of our agreement with Gartmore we had to act promptly to avoid e possible penalty on termination. We therefore gave protective notice of termination to expire about 2½ months later, explaining to Gartmore that we needed time to consider the choices open to us for the company's future management. At about the same time we also informed shareholders, in the chairman's annual statement, that consequent on the sale to Exco and Sam Stevenson's departure from Gartmore the board was "giving urgent consideration to the course of action that should be taken in the best interests of the company." There was nothing clandestine, therefore about our behaviour either towards Gartmore or towards our shareholders.

Some of our institutional shareholders feel that at this stage we should have consulted them privately, a view which Lex appears to support. Rightly or wrongly, we were reluctant to treat a few selected shareholders as a privileged class, and we felt that, following the information given in the chairman's statement, it was open to any shareholder who wished to be consulted to get in touch with us. None did so. Nor, incidentally, did a single shareholder, apart from directors, attend the AGM a few weeks later.

By the date of the AGM the independent directors on the board had come firmly to the conclusion that the bond of trust which is so essential between a management company and its board had been broken, and that the right course of action was to follow Sam Stevenson and his team to CS Investments. Accordingly a statement about our decision was made at the AGM, followed immediately by a public announcement. An explanatory letter was then sent to shareholders.

None of our institutional shareholders insisted on an EGM, but one well-known institution suggested that the appointment of new managers should be treated like the appointment of a new director and confirmed by shareholders at the next AGM. This idea was supported by others and, accordingly, we agreed to adopt it.

We would, in fact, be strongly opposed to treating a change of managers as a suitable subject for an EGM as it will often be difficult to state the full reasons for considering a particular firm of managers unsuitable, when it is a matter of judging competence or other personal qualities. Performance figures are of little help if the Board wants to stay ahead of events—how many years of bad performance would have to be clocked up before they justified dismissal?

Boards of investment trusts already delegate many responsibilities to managers, and surely one of their principal remaining tasks is to select and monitor the managers themselves. Shareholders are not well placed to make such judgments, and they do have an ultimate sanction in their power to dismiss a board which they consider to be failing in its duty.

Having given this matter considerable thought, I believe the point that needs addressing is the independence of the boards of investment trusts from their management companies. After all, changes of managers occur infrequently but decisions on such matters as the level of fees are regular events. I propose two simple rules. First, directors unconnected with the management company should form a majority on the board. Second, the chairman should be one of the unconnected directors. I realise this would mean a large number of changes but I believe the investment trust world would be healthier for it, and shareholders would be able to leave decisions affecting the management companies to their boards with some confidence. Group Investors and Anglo Scottish now conform to these rules. Will others follow our lead?

Philip Darwin.
84-86, Baker Street, W1.

Local authority proposals

From Councillor C. Farrell

Sir,—There is an underlying assumption in the article of November 10 by Robin Pauley and Peter Riddell that Conservative county opinion is united in opposition to the Government's local authority proposals. This is far from the truth.

Except among a very small hardcore of Conservative councillors of long standing, who are associated with the Association of County Councils, there is, I believe, general support among Conservatives in the shire counties, and indeed among very many Conservative councillors, for the Government's present proposals, both on rate capping (with perhaps a preference for selectivity), and, to an even greater extent, for the ebolition of Greater London Council and the Metropolitan Councils.

As for the gathering of chief executives referred to, they would do well to reflect that they are appointed officers and have neither the duty nor, in my view, the right to campaign against the Government of the day in the fulfilment of its stated Election manifesto policy.

Interested pressure groups are nearly always better ignored. I bope the Government will maintain its stated policies.

(Councillor) Charles Farrell.
Cuttmill House, Watlington, Oxfordshire.

Buying and selling houses

From Mr P. Saul

Sir,—You find it hard to believe (Leader, November 16) that "the extraordinary difficulty people have in buying and selling houses in Britain is unconnected with the existence of restrictive practices." I have observed before that the extraordinary difficulty people have in buying and selling houses in Britain is related very closely to the absence of an efficient market.

If a house-owner wishing to sell his house could sell it on the spot to a jobber be would have no difficulty in buying another. But this is not the case. A "first time buyer" with ready money has no difficulty et all in buying a bouse but a person who wants to buy a house and has no money has to find somebody to lend it to him. Prudent lenders want to be sure about their security; it is the business of lawyers to verify security.

There is nothing that prevents banks or building societies preparing their own security documents; they do not bave to employ lawyers and not all of them do.

There is nothing that prevents a house-buyer who has ready cash paying it over to anybody be happens to believe owns the house be wants to buy. Prudent people however, understand that title to land is something that ought to be checked by a competent person.

A couple of years ago I decided to buy an apartment in France. I found no difficulty at all in signing e binding contract in the office of the registered French estate agent but a quite extraordinary difficulty arose when I returned to Englend, told my bank manager he was going to lend me a small amount of money to complete the purchase and be told me that he wasn't. Title transfer in France is totally restricted to registered estate agents and notaries. Would it bave been easier for me to buy my apartment if I'd signed a contract prepared by the grocer and the title bad been transferred by the wine merchant?

Philip Saul.
Summerfield, 6 Sydenham Avenue, SE26.

Britain's Stock Exchange Bill

A debate on shifting sands

By Peter Riddell, Political Editor

THE HOUSE of Commons debate today on the Bill to exempt the Stock Exchange from proceedings under the Restrictive Trade Practices Act appears in City eyes to be almost an irrelevance.

Events have moved rapidly since July, when the deal leading to the Bill was struck between the Government and the Stock Exchange. What was intended to be a gradual process of change has turned into a rapid upheaval of the structure of the London securities market.

Yet to many MPs the debate is significant, not least as the first opportunity Parliament has had to express a view, apart from half an hour of questions in July. Some Tories, as well as Opposition members, will argue that the current pace of change raises questions about the extent of foreign ownership, about investor protection and regulation, about the operations of the gilt-edged market and about the role of the Bank of England which the Bill ignores and the Government has not yet adequately answered. In short, should, and can, Parliament monitor these changes?

The underlying issue is the ability of London financial institutions to compete for business on a worldwide basis and the consequent need both for a strengthening of the capital base of stock market participants and for a more open commission structure.

The background to the Bill is that the Stock Exchange faced an action by the Office of Fair Trading in the Restrictive Trade Practices Court over its rule book. This was initiated in February 1979 and hearings were due to start early next year.

However, the Stock Exchange, with the strong backing of the Bank of England, persuaded the Government that the court was the wrong place to revise a rule book and that anyway the lengthy proceedings would hold up the necessary changes. This led to July's deal whereby the Government agreed to exempt the Stock Exchange from the legal action, provided that the latter agreed to dismantle its minimum scale of commissions by the end of 1986 and permitted outsiders to be involved both as directors of member firms and on the Exchange's Council.

Mr Peter Shore (left), leading the attack; and Mr Alex Fletcher, the Government spokesman

The separation of jobbers and brokers (single capacity) would be preserved to safeguard investors. And all this would be monitored by the Bank of England and the Department of Trade and Industry.

Yet, in what is an inescapable rule of financial markets, if something is going to happen it will happen quickly. Minimum commissions may be dropped well before the end of 1986. And over the last month there have been a number of acquisitions of interests in Exchange members by outsiders (at present limited to 29.9 per cent).

What is the Government's view? Apart from the July statement by Mr Cecil Parkinson, then Trade and Industry Secretary, Ministers have said little publicly. But Mr Alex Fletcher, the under-secretary for corporate and consumer affairs, has given some hints. He has welcomed the changes inaugurated by the July statement. The Government has no objections to the purchase of shareholdings in Exchange members by outsiders, whether British or foreign. Indeed, Ministers have no power to stop such acquisitions. After all, if City institutions want to sell stakes to outsiders they are presumably doing so voluntarily—and at a considerable profit.

Moreover, Mr Fletcher does not appear worried that the rate of change is more rapid than the "evolutionary manner" envisaged by Mr Parkinson in July. As Mr Fletcher pointed out during a visit to New York last month, there is a strong body of opinion that believes that the remaining commission restrictions should all go at once in a big bang like that in New York in 1975, rather than gradually over two years. Similarly, be conceded then that single capacity might not be possible once commissions are negotiable. "I am ready to be convinced that this is the case, but if the Stock Exchange does decide to change its single capacity system, comparable safeguards would have to be provided."

The Government regards as essential the preservation of a central securities market, based in London, rather than a fragmented series of markets. Although the broker/jobber distinction will probably disappear, investors may be protected in the same way as in the U.S., with market makers and all transactions being compulsorily recorded and published. According to current Whitehall thinking, entry and control over the market would continue to be exercised by the Stock Exchange Council, though with a large component of non-members involved, as already agreed, and with official powers of inspection. This might be built into the Securities Bill likely in 1985 following the final report on investor protection, due in a couple of months, from Professor Jim Gower.

This possible framework begs a number of questions. Mr Peter Shore, who will lead the Labour attack this afternoon, believes that the Government has failed to inform Parliament about the real implications of the changes and that a select committee should have examined the issue. He is worried that the Bill covers not only the current agreement with the Stock Exchange but also any future ones. In particular, he is concerned about the impact upon investor protection, about the implications of bringing in foreign investors and about the effects upon the Government's own interest in the gilt-edged market. The Alliance parties are also critical of the Bill.

There are also doubts among some Tory backbenchers. Mr Anthony Beaumont-Dark, a partner in Birmingham-based brokers, Smith, Keen, Cutler as well as a local MP, is worried that small investors could be worse off after the changes. He is also concerned that Parliament has been left out, especially in view of what he sees as the great danger of widespread control of the City by foreign interests.

Some MPs who were involved in the lengthy debates in the last Parliament on the Lloyd's Act believe that the experience of the insurance market shows the need for preserving a split system of brokers and jobbers.

The way that the deal was done behind closed doors, also worries some Tory MPs, though only a handful is likely to go along with Mr Richard Shepherd, the MP for Aldridge Brownhills, who does not intend to support the Bill.

The majority view is in line with that of Mr Peter Lilley, MP for St Albans and a partner in W. Greenwell, who notes that without the Bill the changes might not have happened nearly so quickly.

The irony about today's debate is that what was originally a row about the Government allegedly conniving with its City friends to maintain restrictive practices has turned into the opposite, a concern about how to maintain controls over a possible free-for-all.

FINANCIAL TIMES

Tuesday November 22 1983

STRIKE LOOMS AS UNIONS REJECT ABOVE AVERAGE RISE

Ford UK offers 7.5% pay deal

BY BRIAN GROOM, LABOUR STAFF, IN LONDON

FORD UK, subsidiary of the U.S. motor group, last night made a pay offer worth 7.5 per cent to its 44,800 hourly paid workers.

The offer is well ahead of the prevailing inflation rate and is one of the highest in Britain's current pay round.

Ford's offer is slightly below last year's settlement of just over 8 per cent but does not do a great deal to boost the hopes of the Conservative Government and the Confederation of British Industry for lower pay deals to combat inflation and to improve the UK's competitive position.

It is well above the recent average of 5.5 per cent deals in manufacturing industry monitored by the CBI, and is at the top end of the range of 2.5 to 8.5 per cent deals identified by the research company Income Data Services.

The offer comes close to the 7.75 per cent recently agreed at Vauxhall, the General Motors subsidiary, after a four day strike. That deal was worth 8 per cent when fringe items were added in.

Union negotiators rejected it because there was no offer on shorter working time and improved pensions. They will meet on Thursday to discuss forms of strike action which they will recommend at meetings in the company's 25 plants.

Ford made its offer in spite of having complained to the unions that it was still suffering from high labour costs because of overmanning, inefficient working practices and failure to achieve production targets.

Mr Paul Roots, Ford's employee relations director, has told the unions that so far this year the company has achieved only 62 to 64 per cent of capacity at Halewood and Dagenham against 100 per cent at Saarlouis in West Germany and 96 per cent at Valencia in Spain.

"If we do not get our costs down we cannot compete and if we cannot compete we will not survive in Britain as a manufacturing company," he said at the outset of this year's pay negotiations.

Unions have warned that more than 50 per cent of Ford's 1983 UK sales may come from abroad, but Mr Roots said that if costs came down and output rose more cars could be made in Britain.

The company argues that Ford's pre-tax profits have been declining since 1979. Operating profits have fallen to the point where last year they were worth only 3p in every £1 of sales revenue.

The company has told its unions that though Ford wage rates in Germany have increased by 25 per cent in the past five years, this has been paid for by increased efficiency. Only half of the 81 per cent increase in Britain had been offset by increased productivity.

Early yesterday, Ford had raised its 5.5 per cent offer to 6.4 per cent, but union officials rejected this. Unions have claimed an extra seven days annual holiday and improvements to layoff sickness and pension schemes, as well as pay rises of at least 15 per cent.

Support for Ford's claim that its workers are among the best paid in the UK motor industry has come from Incomes Data but with two important qualifications: Pay rates at other companies are difficult to gauge because bonus earnings vary and Ford's basic holiday entitlement lags well behind the others at only 20 days a year, five less than the national engineering industry agreements.

Ford's current scale of basic rates is £102.84 to £132.80 for a 39-hour week for day workers plus an attendance allowance of between £6.59 and £8.53. Most workers do alternating fortnights of days and nights, and their pay scale is £199.99 to £154.93 plus attendance allowance.

Italian local elections boost coalition

By James Buxton in Rome

THE ITALIAN Communist Party appeared last night to be the principal loser in the scattered local elections held in Italy over the weekend. The Christian Democrats, whose votes fell sharply in the general election in June, could draw some comfort from the fact that their vote has not fallen much further and has substantially increased in Naples.

Final results from the Trentino-Alto Adige region in the north, and preliminary results from the city of Naples in the south, showed the Socialists, the party of the Prime Minister, Sig Bettino Craxi, holding their own or improving their position. The overall result should strengthen rather than weaken the ruling five-party coalition.

The elections, which were held according to schedule in Trentino-Alto Adige and were called by the fall of municipal governments in Naples and other southern cities, were the first test of the voters' opinions since the June general election. In these elections the Christian Democrats lost more than five points, sharply narrowing their lead over the Communists, whose own vote declined marginally, while that of the Socialists rose by about 1½ points.

In the weekend poll the Christian Democrats won 27 per cent of the vote in the Trentino Alto Adige, against 27.6 per cent in June. They succeeded in recovering a little lost ground in Trento Province, a traditional Christian Democrat stronghold, while falling back a little in the predominantly German speaking Bolzano province, where the Südtiroler Volkspartei maintained its traditional predominance.

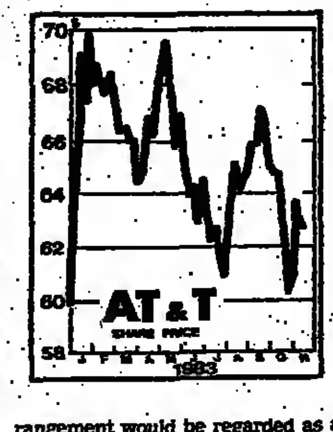
In Naples, where the elections were caused by the collapse earlier this year of the Communist-led administration, the Christian Democrats looked like recovering three points from their June position to about 24 per cent and the Communists going down about 5 points to about 26 per cent. The Socialists were expected to increase by about a point and a half to about 10 per cent.

The Italian Social Movement (MSI), the neo-Fascist party, was expected to improve slightly on its June performance in Naples, when it won 20 per cent of the vote

THE LEX COLUMN

A birthday party on Wall Street

The coolness with which the New York Stock Exchange responded yesterday to the biggest birth in U.S. corporate history spoke volumes, not just for the depth of that equity market, but also for its trading structure. A market in each of Ma Bell's octuplets was established almost immediately – on a when-issued basis – and the share price of old AT & T barely flinched.



Investors had admittedly been given time to digest the weighty AT & T prospectus, but enough uncertainties remained, particularly over tariffs, to threaten confusion when trading opened. In an operation of this size – the securities involved are valued at over $60bn – a when-issued market of the kind familiar to Eurobond houses in London has obvious merits. Investors have another five weeks in which to establish a price level for the new securities.

While the New York exchange was busy showing the London Stock Exchange a thing or two about trading in securities, Prudential Insurance of North America was perhaps giving the British Government an idea about how to issue them. Prudential is offering $150m of Eurobonds carrying warrants which entitle the holder to purchase new AT&T shares.

Given the uncertainty surrounding the true value of these miscellaneous companies, the option being offered by the Pru has considerable attractions. The Pru itself will buy roughly $65m of old AT&T stock in the market, which over the next five years it will pass on to warrant-holders at a fixed premium to the present price. This device saves it roughly 1¾ per cent in interest costs on the bond while, as the gross dividend on the AT&T equity at least matches its debt funding cost, its exposure is limited to movements in the capital value of AT&T shares.

There seems in principle no reason why the UK Government should not apply this idea to British Telecom and follow up a straight equity issue with BT warrants attached to gilt-edged stock. Running what would amount to a tap stock in BT might cloud the Government's funding plans but it could also ease the digestion pains of the market.

Meanwhile, the UK Inland Revenue has announced that UK shareholders in AT&T will not find themselves with a tax liability as a consequence of the demerger, as was feared earlier in the year. It announced yesterday that the arrangement would be regarded as a permissible scheme of reconstruction under UK capital gains tax legislation.

Nat-Ned

Yesterday's formal announcement that Nationale-Nederlanden and the Amfas group are engaged in merger talks follows hard on the heels of another major consolidation in the Dutch insurance industry, between Ennia and AGO. These two took much of the summer to agree the details of their marriage, unveiled early in September.

It would be surprising to see Amfas dallying so long before reaching the altar, given its much publicised difficulties after heavy losses in 1982 and an omitted interim dividend this year. There is more than the shadow of a shotgun over the whole proceedings.

Nat-Ned, which already has a stake of perhaps 30 per cent or more in Amfas, would be acquiring a company crippled by investment and mortgage activities in the domestic property sector, so badly hit by falling prices in recent years. But this appears to be a positive feature from Nat-Ned's point of view – it last year bought Westland Utrecht, a mortgage bank in similar trouble. Presumably the urgency of the situation offers scope for the kind of retrenchment and workforce reductions otherwise hard to effect, despite the serious overcapacity still evident in the Dutch insurance industry.

Nat-Ned will remain the largest group in that industry, even after the launching on December 1 of the new Ennia/AGO combination.

Were such opportunities for consolidation more often available to it at home, the group could no doubt expect a faster domestic growth than is promised by the present dull state of the Dutch market. Without them, though, it seems unlikely to be distracted for long from its avowed strategy of overseas expansion.

Akroyd/Mercury

Anyone who wanted proof of the volatility of jobbing profits need look no further than Akroyd and Smithers' latest results. At £6.7m for the second half of the year to September, the company's pre-tax profits are 50 per cent below the level of the corresponding period a year earlier. It looks as if Akroyd was caught off balance by the buoyant equity market after the last UK general election. Past Conservative victories, after all, have been marked by subsequent market declines. The gilt-edged market failed to match the sustained excitement seen in 1982.

However, last year's outcome is very much in line with the average performance of the last four years. So Mercury Securities is buying its 29.9 per cent stake in the company at a p/e, based on representative earnings, of about 12 times, stated tax. That does not look expensive for one of the two major jobbers, unless there are serious worries of, for instance, the jobbers' cosy relationship with the Government Broker being terminated in favour of other ways of disposing of gilt-edged stock.

The total cost of the stake emerges at £40.9m, or 600p a share, pennies away from the 585p suspension price, which seems to have had an important role in fixing the terms of the deal. At any rate, with confirmation that the deal is not m involve other shareholders directly, the Akroyd share price retreated abruptly yesterday on being requoted to 530p. Mercury is to take an immediate stake of just over 10 per cent – to obtain Stock Exchange clearance on the full deal – with the rest to follow after an Akroyd extraordinary general meeting, probably before Christmas. So the likelihood of an outside bidder entering the fray is small.

Meanwhile the pressure on the Stock Exchange to hurry ahead with implementing its agreement with the Government to allow outside directors on the boards of member-firms has intensified. Mercury and Akroyd are forming a "joint advisory committee" to implement close collaboration between the two concerns which is a neat way of side-stepping the intentions of the present rules and underlines the exchange's problems in controlling the pace of change.

German bankers set to extend SMH aid

BY JONATHAN CARR IN FRANKFURT

WEST GERMAN banks are ready to extend the aid of more than DM 600m ($221m) they put up earlier this month to help prevent the collapse of Schröder, Münchmeyer, Hengst (SMH), a leading private bank.

It is understood that a new boost to the aid package is now certain to cover risks not fully evident when the rescue effort began.

No figure is being given so far but banking sources said it could well be between DM 100m and DM 200m, to be paid from the banks' joint liquidity guarantee fund.

The fund has already been drained of DM 165m to help out SMH, and in addition the banks have converted more than DM 450m of existing credit to SMH toto long-term subordinated debt.

SMH ran into difficulty by over-extending its lending, above all to the troubled IBH building machinery group, which has sought court settlement proceedings to try to avoid bankruptcy.

However, the head of IBH, Herr Horst Dieter Esch, believes he will be able to retain a healthy core of his group so long as shareholders and creditors do not desert him.

In the latest development, banks agreed yesterday to extend a DM 3m credit line to Wibau, a machinery company in which IBH has a minority stake and which is also seeking a court settlement.

Wibau insists it was making a profit and did not have excessive debts but faced liquidity problems because of bank attitudes after the IBH move.

IFO sees sluggish capital spending

BY RUPERT CORNWELL IN BONN

A CONTINUING sluggishness in investment by manufacturing industry remains a major blackspot in an otherwise steadily improving economic outlook for West Germany, according to IFO, the Munich-based economic research institute.

The latest survey by IFO, released today, suggests that in real terms such capital spending will stay at roughly the same level next year as in 1983, even though the construction industry will continue to be a notably buoyant exception.

Despite the growing hopes that the economy may expand by 2.5 per cent or more next year, compared with perhaps slightly over 1 per cent in 1983, most of the companies questioned by IFO reported that existing capacity would be ample to cope with expected demand.

According to IFO, a surge in the foreign trade surplus in 1984, to close to the 1982 record of DM 51.3bn ($18.96m at current exchange rates), should lead to a big improvement in West Germany's current account performance.

The larger trade surplus is expected by IFO – one of the most respected independent forecasting bodies in the country – to more than make up for an increase in the traditional West German deficit on transfers abroad.

This latter figure may climb back to near its 1982 peak of DM 28.3bn. Even so, the institute, in common with most other leading economic research bodies, reckons that the current account surplus will rise from the expected DM 9.5bn for 1983 to around DM 13.5bn in 1984.

Purchasing power declines in Europe, Page 3

Mid East directors quit

Continued from Page 1

Bank of the Middle East is, however, vital to the stability of the UAE banking sector as a whole. Some bankers believe that the central bank has already begun placing support funds with the bank.

Union Bank of the Middle East is known as one of the most innovative banks in Dubai, and is very popular among young Dubai nationals. Like many other local merchants, Mr Galadari began in business in the "re-export trade" to Iran and Asia. His bank is still renowned for its trading ties with neighbouring countries.

The bank's total assets amounted to $1.6bn at the end of 1982. Last March, it decided to declare a stock dividend, amounting to 15 per cent of the paid-up share capital, in place of a cash dividend. Authorised capital is $272m, of which $73m is paid up.

However, some 25-30 per cent of the bank's credit business consists of loans to the former chairman himself at normal market rates. Mr Galadari says he would need 10 to 11 years to pay off the loans, even if he were granted concessionary rates.

The former chairman has considerable local and international assets. He is known to have large property and equity holdings in London, and owns the Dubai Hyatt Regency hotel and the Galleria office and apartment complex.

He is also embarking on property developments in Singapore, notably a prime site in Orchard Road, financed partially by a syndicate of Japanese banks, with which his local subsidiary, Wisma Development, has just signed a S$140 (U.S.$66m) loan.

Men and Matters, Page 18

BankAmerica seeks UK expansion

BY DAVID LASCELLES IN LONDON

BANKAMERICA, the first U.S. bank to move toto the stockbroking business, is in the market to buy a financial services company in London.

Mr Leland Prussia, the chairman, said in London yesterday that his bank is looking at the market "very closely" and has already had some discussions, though he would not say with whom.

Speaking only a fortnight after his arch-rival Citicorp moved to buy a stake in stockbrokers Vickers da Costa, he said his bank was interested in the deregulation of the London markets, and might buy a stockbroker, a jobber or a merchant bank.

"An acquisition would give us an established presence and accelerate the process of penetrating the marketplace," he said.

Based in San Francisco, BankAmerica is number two to Citicorp in the U.S. bank league with $125bn in assets.

Two years ago, it made a major departure, since followed by many large U.S. banks, by buying Charles Schwab, the country's largest discount broker, and offering stockbroker services through its branches.

Discount brokers sprang up in the 1970's after the abolition of fixed rate commissions on Wall Street, and have flourished by giving investors no-frills, cheap service. Mr Prussia pointed out yesterday that the proposed abolition of fixed rate commissions in London would make the extension of Schwab's business to London "logical."

He also said his bank was interested in developing its merchant banking business in London because U.S. bank law prohibited banks from many investment activities in the U.S.

However, Mr Prussia said BankAmerica does not have anything specific in view at the moment, and would not be stampeded by the general excitement into making an acquisition.

Loan rules criticised, Page 21

Kohl resists missile protests

Continued from Page 1

the podium with large pictures from Vietnam and the Warsaw Ghetto, called in vain for a recess because of the "brutal police operation" beyond the barbed wire and fences surrounding the building.

However, the 2,000 to 3,000 demonstrators, outnumbered by police and pushed outside the Bundestag's statutory *cordon sanitaire*, listened with wet hair and streaming eyes to the speeches over transistor radios. About 150 were held temporarily by police.

Herr Helmut Schmidt, the former SPD Chancellor and one of the architects of Nato's talk-and-deploy policy of 1979, diverged from his party's line but said he would not vote with the Government parties. Making his first speech in parliament since losing office last year, he said he could not vote for a resolution which claimed the U.S. had made "the greatest efforts" towards an agreement.

Herr Schmidt, whose speech received applause and jeers from the speaker's right and left, said that he stood by the necessity of deployment. But he bitterly criticised his successor as Chancellor for subservience to the U.S. and inaction in preserving contacts with Moscow. "In my day, Mr Chancellor, we were Moscow's most important Western European interlocutor. Now we are just its most important opportunity for psychological and political pressure."

Anthony Robinson in London writes: The Soviet Union last night added fresh fuel to the controversy over the exact nature of new Soviet proposals on intermediate nuclear force (INF) negotiations reportedly made during an informal walk through a Geneva park by the U.S. and Soviet negotiators.

U.S. officials told Nato allied that Mr Yuri Kvitinsky, the Soviet negotiator, had proposed a reduction of 572 warheads by both sides and a willingness to drop its previous insistence on counting French and British strategic missiles in the INF totals provided that the U.S. side renounced its plans to deploy cruise and Pershing 2 missiles.

The Soviet offer would, in effect, have reduced the number of SS-20 missiles to around 120 with 360 warheads but was rejected by the U.S. as merely repackaging the Soviet insistence on maintaining its monopoly of land-based intermediate-range weapons in the European theatre.

Last night, however, Tass, the Soviet news agency, accused the U.S. of playing a "dishonest game" by "ascribing to the Soviet delegation authorship of a variant which in reality emanated from the U.S. delegation and in addition doctoring it in a manner so as to create a false impression of Soviet readiness not to take into account the British and French medium-range means."

Meanwhile, Nato's Special Consultative Group (SCG) meets in Brussels today to review progress at the Geneva talks. The meeting takes place against the background of the start of new missile deliveries and the confused flurry of charge and counter-charge by U.S. and Soviet officials.

Iraq 'sinks Iranian warships'

By Richard Johns in London

IRAQ yesterday claimed to have sunk seven Iranian naval vessels and shot down one F-4 fighter in what appeared to be an attempt to raise the level of conflict against the oil terminal of Kharg Island.

In London, Lloyd's register and oil tanker brokers were unable to confirm the Baghdad Radio report.

The markets were unaware of any merchant marine casualties, and the by now customary scepticism about any Iraqi military claim was expressed. It was conceded, though, by one leading broker that "with such smoke there could be some fire this time."

Iraq was expected to intensify efforts at the end of this month to disrupt confidence in the security of Iran's main oil terminal following Tehran's rejection at the end of October of a UN Security Council resolution calling for an end to the three-year-old conflict.

There was no suggestion by Baghdad that any of the five Super Etendard fighter bombers delivered to Iraq early in October had been used to launch Exocet missiles.

The "naval targets" referred to by the state radio, which were said to be sailing north-west to Bandar Khomeini, could also have been hit by Soviet supplied SS1 (Scud B) ground-to-ground missiles fired from Iraqi territory.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	14	57	Dubrovnik	C	12	54	Malaga	C	18	64	Salzburg	Sn	0	32
Akrotiri	S	19	66	Faro	F	21	70	Malta	C	19	66	Seoul	C	9	48
Algiers				Florence	D	8	46	Manila	C	29	84	Singapore	R	30	86
Amsterdam	S	6	43	Frankfurt	C	4	39	Miami	C	26	79	Stockholm	F	-2	28
Athens	C	16	61	Funchal	C	22	72	Milan	C	6	43	Strasbourg	S	2	36
Bahrain	S	27	81	Geneva	C	5	41	Moscow	C	0	32	Sydney	C	21	70
Bangkok	S	29	84	Gibraltar	R	18	66	Munich	Sn	0	32	Taipei	C	23	73
Barcelona	F	18	64	Guernsey	F	8	46	Nairobi	F	25	77	Tangier	C	20	68
Beirut	R	21	70	Helsinki	Sn	-5	23	Naples	F	16	61	Tehran	—	—	—
Belgrade	F	2	36	H Kong	S	25	77	New Delhi	S	27	81	Tel Aviv	F	23	73
Berlin	F	4	39	Innsbruck	S	3	37	New York	F	17	63	Tenerife	F	24	75
Biarritz	C	15	59	Inverness	C	3	37	Nice	C	15	59	Tokyo	F	16	61
Blackpool	S	3	37	Istanbul	F	11	52	Oporto	C	19	66	Toronto	R	10	50
Bordeaux	S	7	45	Jersey	S	8	46	Oslo	S	1	34	Tunis	R	17	63
Brussels	F	6	43	Jo'burg	R	21	70	Paris	S	5	41	Valencia	F	20	68
Budapest	C	-2	28	Las Palmas	S	23	73	Prague	F	4	39	Venice	C	4	39
B Aires	R	29	84	Lima	S	21	70	Reykjavik	R	2	36	Vienna	C	3	37
Cairo	C	26	79	Lisbon	R	17	63	Rio de J'o	C	36	97	Warsaw	F	3	37
Cape Town	S	23	73	Locarno	S	6	43	Rome	R	13	55	Zurich	S	2	36
Caracas	S	29	84	London	S	5	41								
Casablanca	C	21	70	Los Angeles	F	18	64								
Copenhagen	S	3	37	Luxembourg	C	5	41								
Corfu	F	16	61	Madrid	C	16	61								
Dublin	C	5	41	Majorca	F	21	70								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Traders cheer new AT&T shares

Continued from Page 1

"When issued" trading, a kind of shadow market when the stock is authorised but not yet issued, continues until February 16. The old AT&T then disappears and normal trading begins in the new companies.

These gargantuan changes offer some rich pickings for Wall Street, whose profits have recently been flagging because of the fat put on during the ebullient days of last year's new bull market. Commissions, running at around $115m a week in the New York securities industry at present, could increase by up to $4m a week in the long run-in period over the next three months.

Brokers have been preparing themselves since the summer to offer fee-earning advice to bewildered shareholders.

There are also enormous possibilities for making arbitrage turns by spotting price differences between the old AT&T and the new, while the exchange itself will make $2.2m this year and $400,000 next in listing fees.

After the break-up of AT&T, current shareholders will receive one share in each of the seven regional companies for every 10 they hold in AT&T. They will keep their present AT&T stock certificates which will represent their holdings in the new AT&T.

At the close of Wall Street trading prices were: old AT&T $63½; new AT&T $18; Ameritech $65¾; Bell Atlantic $70½; Bellsouth $90¾; Nynex $62¼; Pacific Telesis $55¾; Southwestern Bell $61½; U.S. West $59¾.

New York, however, was not the only market where AT&T held the centre of the stage. In the Eurodollar bond market, the Prudential Insurance Company of America is raising $150m with a 10-year bond. Each unit will carry warrants which can be used to buy shares of the new AT&T and the regional companies.

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Tuesday November 22 1983

Eastern Europe bank pays dividend

By Anthony Robinson in London

THE Budapest-based Central European International Bank (CIB), founded four years ago as the first East-West joint banking venture in Eastern Europe, will pay its first dividend this year, according to Mr Mathias Kunsch, the deputy managing director.

The size of the dividend has not yet been decided, but net profits of around $2.9m were in line with last year's, while assets should rise by 10 per cent to around $250m, Mr Kunsch said in an interview with AP-DJ.

CIB's fortunes have been closely followed by bankers not only because it is the first joint venture bank to be set up in a Comecon capital but also because the six Western banking partners – Banca Commerciale Italiana, Bayerische Vereinsbank, Société Générale, Creditanstalt-Bankverein, Long-Term Credit Bank of Japan and Taiyo Kobe Bank – hold a majority interest with 11 per cent of the capital each. The National Bank of Hungary is, however, the largest single shareholder with 34 per cent.

The stagnation of profits at around 1982 levels and slower growth reflect the slowdown of East-West trade generally as East European countries have cut imports to service their foreign debt.

Within the bank itself the emphasis has shifted away from medium-term trade financing towards shorter-term transactions, where margins are better and risks lower, Mr Kunscb added.

Ericsson earnings jump by 32% in first nine months

BY DAVID BROWN IN STOCKHOLM

PRE-TAX profits of L. M. Ericsson, the Swedish telecommunications equipment group, jumped 32 per cent during the first nine months ending September from SKr 677m ($85m) to SKr 896m.

Sales increased 31 per cent to SKr 16.4bn and new orders rose 14 per cent to SKr 16.6bn. The newly acquired Facit companies accounted for 9 per cent of the sales increase.

Ericsson remains a strong force on the world telecommunications market with the success of its AXE digital telephone exchanges.

The group introduced a new, smaller AXE processor with an extended capacity during the autumn. It also won a contract worth about SKr 300m to supply Racal-Millicom in the UK with the first phase of a mobile telephone system.

Tha group reached agreement with Honeywell Incorporated of the U.S. for the marketing of its MD110 subscriber exchange under the Honeywell name in the U.S. and Canada.

Public telecommunications accounted for 32 per cent of group sales during the period compared with 38 per cent for the nine months last year.

The information systems share grew from 23 per cent to 29 per cent, the cable division accounted for 16 per cent, and defence systems and radio communications for 6 per cent each. Foreign markets accounted for 79 per cent of sales.

Capital expenditure grew to SKr 1.1bn from SKr 891m during the corresponding period a year earlier. An issue of 4m new shares in the U.S. raised $240m in May. Profit per share climbed from SKr 8.54 to SKr 10.94, the company reported.

Nat-Ned may take control of Amfas

By Walter Ellis in Amsterdam

NATIONALE Nederlanden, the largest insurance group in the Netherlands, is set to take over the troubled Amfas, fourth largest company in the industry. Amfas would retain its operational independence but would become part of the Nat-Ned empire, with a Nat-Ned representative on its board.

Last week Ennia and Ago, two other large Dutch insurance companies, completed their merger as Aegon. Aegon at once leap-frogged Amev to become the new number two to the Netherlands.

Nationale Nederlanden had premium income of Fl 4.75bn ($1.5bn) in the first six months of this year and recorded earnings of Fl 111m. Amfas had income of about Fl 1bn and net profits of Fl 3m in the same period.

Amfas has been in serious trouble for about 18 months. It made a loss of Fl 68m in 1982 and, after considerable restructuring, expects to record earnings this year of no more than Fl 6m. Five weeks ago all three members of its board of management resigned because, as a statement put it, they were "less able to associate themselves" with current policy.

The company, to setting out its version of events, also announced that it had no intention of allowing itself to be taken over by Nationale Nederlanden, Ago or Amev, each of which has a substantial holding in its equity. Nat-Ned controls about 40 per cent of its shares.

The main problem for Amfas this year has been the poor performance of its real estate sector. No figures have been given, but Mr H. J. van Bussel, the new chairman of the board of management, said yesterday losses were greater than expected. In addition there continue to be problems with the London end of the Zeven Provinciën marine insurance division.

Nationale Nederlanden felt it had to protect its original investment of 40 per cent, but a takeover also held out the lure of a substantial increase of Dutch domestic insurance business as well as an increased stake in the Belgian market.

With help Amfas can easily recover from its present straits. Reorganisation is well under way, a number of the current staff of just over 4,000 are to go and the more troubled divisions are on their way back to health. Analysts are optimistic that the venture will succeed

Takeovers and mergers have dominated the Dutch insurance sector for the last 20 years. Although the current proposal to join Nat-Ned and Amfas has been referred to the takeovers commission, no problems are fnreseen.

ARBED AND COCKERILL SAMBRE LINK TO REDUCE CAPACITY

Squeezed in the EEC steel trap

BY PAUL CHEESERIGHT IN BRUSSELS

CLOSER links with Cockerill Sambre of Belgium are e key element in the capacity cuts planned by Arbed, the international steel producer based in Luxembourg.

The capacity cuts are necessary not only to staunch losses but also to meet EEC demands for a restructuring of the steel industry.

Arbed had maximum capacity for finished products of 5.215m tonnes in 1980. By the middle of this year it bad made or planned capacity cuts of 550,000 tonnes. The European Commission has demanded further cuts of 410,000 tonnes.

This extra cut, decreed in June, can be met by an arrangement with Cockerill Sambre. Arbed itself has agreed a plan with the Belgian producer, but political leaders of both countries have yet to give their approval.

For Arbed, the plan means changes at its Dudelange complex, where there is a foundry, and at a crude steel plant, Steckel, which produces hot-rolled plates which in turn go to a cold steel plant.

The link with Cockerill Sambre would involve the closure of Steckel in additinn to the already planned closure of the earlier parts of the steelmaking process at Dudelange.

The cold plant at Dudelange would be fed instead by hot-rolled products from Cockerill Sambre's Carlam unit at Charleroi.

The other side of the link with Cockerill Sambre concerns Arbed's wire rod plant at Esch-Schifflange, part of another steelmaking complex in Luxembourg and the scene last Friday of trade union protests about the plans for Dudelange and the Cockerill Sambre link.

Esch-Schifflange is a wire rod producer in competition with Valfil, the Cockerill Sambre producer at Liège. Valfil would close, leaving the way clear for Esch-Schifflange.

The exchange would meet the EEC criteria for further cutbacks at Arbed, because Steckel's production runs at 745,000 tonnes a year.

The Cockerill Sambre plan would supersede an earlier agreement from 1990, which involved a more limited exchange of production. At the same time it would deepen links between the two companies. Phenix Works, a Cockerill Sambre unit, is a partner with Arbed at Galvalange, a coating plant, also situated at Dudelange.

Arbed says it is not seeking further co-operative links with other companies. Earlier this year, Mr Emmanuel Tesch, the president, made clear that "synergy" with nther groups was a better and cheaper way of keeping up the product mix than new investment.

Attempts to foster co-operation with French companies have foundered. Klöckner of West Germany indicated last week that it is hoping for co-operation with Arbed, but Arbed says there is nothing on the cards. Klöckner has just taken over the small steelmaking capacity of Eschweiler Bergwerksverein, primarily a coal producer.

Production from this company, based in Aachen, is small compared with the Arbed group's output just 59,222 tonnes in the first nine months of this year against 2.369m tonnes in Luxembourg, 2.01m tonnes at Sidmar, the Arbed complex in Belgium, and 1.76m tonnes at Arbed Saarstahl.

The future of Arbed Saarstahl has been secured in the immediate future by the provision of DM188m ($68m) in subsidies from the West German Government. Arbed in Luxembourg will be making no financial contribution.

Rather, it is having talks with the Bonn Government about the consolidation of a number of other group companies into Saarstahl in a bid to strengthen its balance sheet. The companies involved are Trefilarbed Koln, B und S K, Kocks, St Ingbert, Heckel, Luisenthal and Engineering Köln, all of which are involved in steel processing.

Even if Arbed in Luxembourg wanted to give financial help to Saarstahl, it could not. Special conditions have been attached to aid for the company from the Luxembourg government, and not one centime of the new money can go outside the Grand Duchy borders.

Arbed's own resources are not sufficient to aid Saarstahl. Losses in 1982 were LuxFr 4.3bn ($78m). In 1981 they were LuxFr 3.2bn. Debt charges are absorbing 10 per cent of turnover.

The deteriorating financial situation makes Arbed keen to see the Luxembourg Government come forward with promised new funds.

The centrepiece of the Arbed-Government agreement is the provision of LuxFr 12.2bn in 1983-87. The immediate need is for the Government to subscribe LuxFr 2.5bn reserved to it in LuxFr 5.2bn of convertible loan.

● Our report on November 9 of the restructuring of Arbed Saarstahl mistakenly described the parent concern, Arbed of Luxembourg, as a state-owned company. The Luxembourg Government, through the Société Nationale de Crédit et d'Investissement, currently owns 14 per cent of the company's capital.

Gulf & Western to repurchase shares

BY WILLIAM HALL IN NEW YORK

GULF & Western, the U.S. conglomerate, is paying $210m to buy back 7m of its shares from American Financial Corporation, a private diversified financial services company headed by Mr Carl Lindner.

Until the transaction, equivalent to a 9.4 per cent stake in Gulf & Western, American Financial, which has held the shares for several years, was the biggest shareholder in the conglomerate. It is presently undergoing a major reorganisation as it sells off many of its operations which are either losing money or do not fit into its long-term strategic plans.

Gulf & Western announced yesterday that it was planning to buy back up to 10m of its common shares and the purchase from American Financial was part of this programme. The company paid $29.25 per share for the 7.1m shares owned by American Financial and $22.16 for the 144,033 warrants to purchase common stock.

Following the announcement Gulf & Western shares rose $1½ to $28 yesterday morning.

ITT revises Spanish rescheduling plan

BY DAVID WHITE IN MADRID

ITT, the U.S. telecommunications group, has put forward a fresh restructuring plan for its operations in Spain, involving investments of Ptas 17bn ($110m) in research, development and new installations between now and 1986.

The plan, under which ITT's subsidiaries would shed 14 per cent of their workforce through early retirement over the same period, replaces a more drastic labour-cutting scheme rejected by the Socialist government in the summer.

The revised proposals are based on an increase in purchases from within the ITT group and from the Spanish telephone concern Compania Telefonica Nacional de Espana (CTNE). CTNE, in which the state has a minority interest, originated as an offshoot of ITT, and has a 20 per cent stake in the main ITT company in the country, Standard Electrica.

Apart from pledging extra orders to the ITT operations, CTNE would take on 900 of the ITT workers whose jobs were initially threatened.

The new plan submitted to the Industry Ministry involves reducing the 19,200-strong workforce by a further 2,730. This compares with ITT's original plan to cut 6,450 jobs at Standard and at its offshoot Marconi Espanola.

The reduction would be carried out principally through retirement at 56, with a programme of temporary lay-offs during the conversion period until the workforce comes down to its planned new level at the end of 1986.

The ITT group in Spain has already shed more than 7,000 jobs since 1976.

Under the plan, Standard would be expected to move into profits from 1985 after a loss of Ptas 1.7bn this year. Marconi is expected to remain in deficit.

Tighter share dealing rules for Sweden

By Kevin Done in Stockholm

SWEDEN'S securities industry has introdnced its first rules governing the disclosure of large share transactions.

Stock Exchange ethics have been the subject of fierce debate in Sweden this year following the explosive performance of the Stockholm bourse and in the wake of a number of scandals which have led to share suspensions, fines on companies or, in two cases, expulsions from the exchange.

The government is also considering new laws for regulating share dealing more tightly, including moves to make insider trading illegal.

As part of a move towards improved self regulation, the securities industry's stock exchange committee said yesterday that any deals giving control of 10 per cent or more of a company should be notified at the start of the first trading day after the transaction.

Deals must also be disclosed when an investors' holding in a company drops below 10 per cent.

Call to ease loan rules

BY OUR BANKING CORRESPONDENT

U.S. ACCOUNTING rules should be eased so that U.S. banks can help less developed countries (LDCs) out of their debt problems by softening loan terms, Mr Leland Prussia, chairman of the BankAmerica, said yesterday.

At the moment, the rules make it virtually impossible for banks to do this without taking a cut in profits and having to make embarrassing disclosures.

Mr Prussia, who was speaking during a visit to London, said there were no short-term answers to the Third Wnrld debt problem. But in the longer run he thought banks could help by charging hard-pressed borrowers lower interest and giving them more time to pay.

"The present seven, eight, nine year loans are not long enough," he said.

The present rule is laid down by the accounting profession's Financial Accounting Standards Board (FASB). Broadly, it says that when the terms of a loan are changed in the borrower's favour to help him out of trouble, the quality of the loan declines.

The loan must be treated as "non-performing", which means any interest paid on it cannot be treated as income, but must be used to pay down the loan. Banks must also disclose the total of their nonperforming loans.

Mr Prussia, whose bank has about $7.5bn in loans to large Latin American borrowers, pointed out that the U.S. eased accounting rules to help the savings and loan industry out of troble three years ago, effectively by turning a blind eye to bad debts for a while, so there was a precedent.

He also said the IMF policy of dealing with the LDC crisis on a country-by-country basis was not the answer. A broader solution was needed, with concerted action by the indutrial countries and institutions like the World Bank to organise e flow of long-term development capital to the Third World.

IBP unions ask for guarantees

By Alan Friedman in Rome

IBP-Industrie Buitoni Perugina, the leading Italian foods group, has been asked by its unions for guarantees following reports that Poulain, the French confectionery manufacturer, is on the verge of taking an option to acquire 51 per cent of the Buitoni group.

IBP, which is 51 per cent owned by the Buitoni family, refused to comment on the state of negotiations with Poulain, saying only that no formal decision had been taken and the situation was "fluid".

Finns buy into U.S. sweet market

BY WILLIAM HALL IN NEW YORK

THE HUTAMAKI GROUP, a Finnish conglomerate, is buying six U.S. confectionery companies from Beatrice Foods in a significant expansion into the U.S. – move which will increase its worldwide sales by around a third.

Beatrice has signed a definitive agreement to sell Jolly Rancher, Phoenix Candy, D. L. Clark, Switzer Candy, Asher Brothers and Thos D. Richardson to the Helsinki-based conglomerate.

Beatrice has not disclosed the price of the transaction but says it will result in an after-tax gain of $15m. The companies being sold had a $122m turnover in Beatrice's last financial year.

Beatrice says the sale is part of its previously announced plan to sell about 50 units that do not fit in to the company's strategic direction.

It is understood that while the companies being sold had nationally marketed brands they were not market leaders, and Beatrice is unwilling to invest the sums needed to increase their market share.

U.S. FINANCE GROUP SEEKS NICHE IN UK BANKING MARKET

Household aims to be a household name

BY DAVID LASCELLES IN LONDON

HOUSEHOLD INTERNATIONAL, the large Chicago-based financial and industrial group and specialist in the small, instant loan, believes it has found e lucrative niche on the UK market.

Operating in the UK since 1974, it now has some 150 branches around the country. But it is about to open a flagship branch in the City of London and, having just hired Morgan Grenfell, one of the leading UK merchant banks, as its adviser, wants to become a fully established feature of the British financial scene.

At the moment its operating subsidiary, HFC Trust and Savings, is a licensed deposit-taker. But Household International hopes that it will eventually be promoted by the Bank of England to full bank status, which would allow it to call itself a bank.

Mr Ian Martindale, the chairman, makes no bones about the market HFC is aiming for: "It's the C socio-economic group. It's people who want a convenient, friendly place to put their savings, and somewhere they can get a loan quickly."

HFC claims to be able to give anyone who walks in off the street a loan of a few hundred pounds in less than an hour. The staff check the applicant's identity on the electoral register, consult a credit agency to make sure he or she is not on any blacklist, and flesh the application out with whatever documentation the applicant can produce, such as a pay slip.

"People are basically very honest," said Mr Martindale. "Our loan loss experience has been very small."

The snag from the borrower's point of view, of course, is the cost. An HFC loan costs a couple of percentage points more than one from the local high street bank. But HFC believes people put up with this because borrowing from them is quicker and much less forbidding than braving a bank.

But on the other side of the book, HFC offers higher interest on deposits and pays gross, which gives it a slight advantage over the UK building societies, which pay interest with tax deducted.

HFC offers cheque accounts and special plans like a savings scheme for holidays, where savers can put away a small amount each month and receive a loan to finance the rest of their travel costs. HFC branches also sell insurance offered by another Household company, Hamilton Insurance, and travellers cheques.

On the British main street HFC seems to have no obvious direct competitors, though on various fronts it competes with the building societies, the banks, and the finance houses.

HFC's operations are not entirely retail. It makes some commercial loans, mostly to small local businesses – the largest on its books is only £1.5m – and it funds itself in the money markets as well as from deposits.

By any standards the operation is still tiny. Total assets of the group are about £150m ($220.5m), but they are rising by about £20m a year. Branches are also being opened at a rate of about 20 a year, and are expected to reach about 170 by January.

Pre-tax profit in 1982 was £4.2m, up from £3.9m in 1981. Growth should accelerate if and when HFC achieves full bank status. This will allow it to gear its capital up more highly.

Consumer finance is the most profitable side of Household International's business, which includes merchandising, manufacturing and various travel services including National Car Rental, number three in the business after Hertz and Avis.

In 1982 profits from this side rose 84 per cent when the U.S. recession reduced profits as a whole by 12 per cent, to $125m. Other countries where Household has established a consumer finance business are Canada and Australia.

INTERNATIONAL COMPANIES

Premier hit by reduced spending

By Our Johannesburg Correspondent

PREMIER GROUP, the diversified South African food group, had to cope with extremely difficult trading conditions in the six months to September 30 1983. Mr Tony Bloom, the chairman, says that consumer spending declined markedly as a result of the drought and recession, and increased competitive activity in diminishing markets put severe pressure on profit margins.

Nevertheless first-half turnover increased by 25 per cent to R1.1bn. Of this increase R73m was due to the merger of Premier's record and music subsidiary, Gallo, with the stationery and book retail chain CNA. Trading profits however rose by only 8 per cent to R64.2m. Turnover was R1.76bn for the full year to March 1983 and trading profit was R121.6m.

Mr Bloom is particularly disappointed by the poor results of the poultry division and the failure of the merged CNA/Gallo company to match profit expectations. However, he says the group as a whole gained market share in some important areas.

The interim dividend has been increased to 32 cents from 29 cents though first half earnings fell to 87.5 cents a share from 93.2 cents. A total dividend of 66 cents a share was declared from earnings of 206.5 cents in the year to March 31 1983.

Mr Bloom is reluctant to make a specific profit forecast for the second half of this financial year as trading conditions are expected to remain depressed until well into 1984. His "best guess estimate" is that the group will maintain its earnings at much the same level as last year.

SA building societies to face more competition

BY BERNARD SIMON IN JOHANNESBURG

COMPETITION between South African banks and building societies is likely to intensify next year when the government presents legislation to parliament stripping the societies of many of their existing privileges.

Mr Owen Horwood, the Minister of Finance, has announced that the government has accepted proposals of two recent commissions of inquiry that competition between banks and building societies should take place on more equal terms. According to Mr Horwood, "The proposed changes will influence the entire business philosophy of building societies because they will find themselves competing for funds in a larger market".

The country's 10 societies had assets totalling R17.3bn ($14.4m) as at June 1983, and and are responsible for financing about 80 per cent of home purchases. Thanks to various concessions made to the societies, the cost of mortgages is appreciably lower than funds from other sources. Mortgage rates at present vary between 15 per cent and 17.5 per cent, while bank overdraft rates range from 18 per cent to 21 per cent.

The proposed changes to the societies' status include:

● Their ability to offer tax-free investments will be phased out.

● They will lose the advantage of having lower liquid asset and cash reserve requirements than banks.

● They will be allowed to move into fields presently closed to them, such as hire purchase, leasing and cheque accounts.

● Instead of being subject to a separate act of parliament, they will gradually be brought under the umbrella of the Banks Act.

Some societies are concerned that the changes will severely hamper their ability to continue to provide cheap home finance by turning their attention to other activities. Mr Bob Tucker, managing director of the S.A. Perm, the country's second largest society, said that "we might be disrupting the flow of funds into housing". He added that "we have not got the infrastructure to become banks overnight."

The changes will virtually wipe out the societies' ability to provide home finance at significantly cheaper rates than any other financial institution.

They are especially angry that no move is being made to abolish tax-free benefits offered by other institutions, such as pension funds, insurance companies and the post office.

Higher profits and scrip from ANZ

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE Australia and New Zealand Banking Group (ANZ) saw a 9.7 per cent increase in net profit for the year to September 30, to A$197.9m (US$182.1m), and has announced a one-for-10 scrip issue.

With the new shares participating in the final pay-out of 14 cents per share, the final dividend is effectively boosted to 15.4 cents a share, for an effective total of 29.4 cents per share. The directors hope to maintain the annual dividend rate at 28 cents per share on the enlarged capital.

ANZ's second-half profit rose by 6.9 per cent, to A$97.6m, compared with a first-half gain of 12.5 per cent to A$100.3m.

Westpac, Australia's biggest bank, has already reported a 3.1 per cent gain in 1982-83 net profit, to A$222.2m, while at National Commercial Banking Corporation, net profit for the year was A$160.9m.

Earnings at ANZ were 94.4 cents per share, against 86.3 cents previously, while its net tangible asset backing rose from A$5.08 to A$5.70 per share.

Group income for 6.2 per cent higher, at A$2.92bn. Tax took A$154.9m against A$133.6m.

Demand for bank finance was subdued, said the directors, with the level of trading bank loans outstanding at September 30 only 5.6 per cent higher than September 1982. They added that interest rate margins had recovered slightly from the low level of the previous year, and that this had contributed to higher profits.

In Australia, group trading bank operations showed a profit of A$83.3m, up 16.6 per cent, while savings bank operations showed a profit of A$29.1m, up by 2.4 per cent. Profit in New Zealand was 22.3 per cent higher at A$25.2m.

● Thomas Nationwide Transport (TNT), Australia's largest transport concern and its 28th biggest company, saw a 44 per cent slump in net profit for the three months to September 30, to A$8.6m despite a 15.2 per cent improvement in turnover to A$428m.

Orient Leasing lifts earnings

BY YOKO SHIBATA IN TOKYO

ORIENT LEASING, Japan's largest leasing company, lifted pre-tax profits by 6.6 per cent to Y5.66bn ($24m) in the year to September 30 on sales up by 28.9 per cent to Y255.4bn. Net profits were 11.3 per cent higher at Y2.61bn.

The company experienced intensified competition in the year from the incursion of trading houses into the leasing business. Total contracts for the year rose by 9 per cent to Y685bn. In the leasing rental sector contracts fell by 4 per cent to account for 40 per cent of the total, due chiefly to tha shift of the company's large computer rentals to the newly set up joint venture company with IBM Japan.

In direct financing leases, contracts fell by 9 per cent to account for 22 per cent of the total. This was caused by a fall in yen-denominated aircraft leasing following the narrowing of the gap between yen and dollar interest rates, which made yen interest rates less attractive. Thanks to strong demand, housing loan contracts rose by 9 per cent to account for 38 per cent of the total.

Gains from sales of securities and a reduction in exchanga losses more than offset higher interest payments and heavier depreciation charges. The company has lifted the dividend total from Y10 to Y11.

Orient leasing expects total contracts to increase by 9.5 per cent in the current year to Y750bn, supported by strong demand for housing loans. Full year sales are forecast to increase by 11.6 per cent to Y285bn but competitive pressure to lower leasing charges and higher interest payments are likely to hit profits. Full-year pre-tax profits are forecast to increase by only 1.6 per cent to Y5.75bn and net profits are expected to increase by 5.2 per cent to Y2.75bn.

Watties and Goodman win target stake in NZFP

BY DAI HAWYARD IN WELLINGTON

THE two leading New Zealand food groups, Watties and Goodman, have virtually achieved their target of a 24.9 per cent stake in the forestry giant, New Zealand Forest Products.

The 24.9 per cent shareholding is tha maximum the two closely linked companies can obtain without making a formal takeover bid. By tha end of trading yesterday they had secured 23 per cent and are certain to pick up the rest today. More than NZ$160m (U.S.$106m) worth of shares changed hands as tha two companies bid for a quarter of New Zealand's second largest company.

Watties and Goodman had spent NZ$140m by mid-morning yesterday getting 21 per cent of their target and had committed well over NZ$150m by the end of the day.

Some sellers, including large institutions which received between NZ$6 and NZ$7 made a handsome profit on the shares which were available for only NZ$2.60 earlier this year.

Better trend at Sanko Steamship

By Our Tokyo Staff

SANKO STEAMSHIP, a Japanese shipping company specialising in tankering, which earlier this year placed orders for 111 new bulk carriers, has reported a widened pre-tax loss of Y27.61bn (US$117.7m) in the first half to September 30. The previous year's pre-tax loss was Y16.6bn.

Net losses also grew to Y27.5bn from Y11.5bn previously. Sales were down by 11.4 per cent at Y122bn.

However, by comparison with the second half of its last fiscal year, October 1982-March 1983, Sanko has managed to trim its pre-tax losses by Y11.7bn and net losses by Y8bn thanks to its limited operations.

During the half year the tanker market was dull after a hrief rise in rates. Sanko's tanker division operated below the breakeven point. The tramper market was also depressed by sluggish cargo movements—such as low U.S. grain exports to the USSR and subdued demand for iron ore caused by tha recession in steel.

The company's fleet redaction programme, crucial for its business reconstruction, only resulted in 14 vessels, totalling 410 deadweight tons, being sold for scrap or put up for chartering.

According to tha initial plan Sanko was to have redaced its largely elderly 250 vessel fleet of 22m tonnes to around 100 ships totalling 10m tonnes by the end of March 1985.

In the current half year ending March 1984, the company plans to reduce losses further hy getting rid of 30 unprofitable vessels and replacing them with efficient new vessels. Full year operating losses are expected to be down to Y40bn from the Y55.9bn in tha previous year. Net losses are forecast as being reduced to Y39hn from Y47.6bn previously. Sales are projected at Y255hn — down by 3.7 per cent.

Finance for Saudi housing project

By Mary Frings in Bahrain

TWO RELATED loans are being put together in Bahrain for Saudi Arabia, at a time when hanks are complaining of the scarcity of good corporate lending opportunities.

National Bank of Bahrain (NBB) and Kuwait Asia Bank have jointly been awarded a mandate to arrange a $23.6m club financing for a housing project at Saudi Arabia's King Abdul Aziz University.

Tbe multi-purpose construction support facilities package, includes local currency guarantees of 53.7m riyals ($15.4m). Tbe project owner is Saudi Compound Company, which is leasing residential accommodation to the University.

A medium-term loan which NBB is arrangiog jointly with Korea Exchange Bank was reported yesterday to be substantially oversubscribed. But the borrower, Hyundai Engineering and Construction Company, is taking only the $30m it asked for, not the extra $10m available.

THE MANAGEMENT PAGE : Small Business

EDITED BY CHRISTOPHER LORENZ

A cornucopia of reliefs

Tim Dickson takes a timely look at ways to avoid corporation tax liability

CORPORATION tax, some accountants have observed with mischievous grins, has become a "voluntary" levy in recent years. For while it appears a harsh penalty at 52 per cent of pre-tax profits—or 38 per cent of profits under £100,000—the number of reliefs now available enable shrewd companies quite legitimately to avoid much of their "liability."

Indeed, mainstream corporation tax currently represents a mere 3 per cent of Central Government tax revenue — considerably less than the Government's "take" from say the employers' national insurance contribution.

While big companies can afford full time specialists to keep the taxman at bay, the smaller business, by contrast is generally less fortunate. A good financial adviser of course, should be able to offer some useful tips but with December 31 fast approaching—a popular financial year end for many companies—here is a check list to keep him up to the mark.

In days gone by, *stock relief* provided one of the best opportunities to reduce tax. But instead of getting relief on the increase in stock value between the beginning and the end of the company's accounting period as before, the rules now only allow the rise in inflation (as measured by the "All Stocks" index) to be applied to the opening stock level.

The two most fruitful options these days are likely to be *pension contributions* and *capital allowances*. Companies without an executive pension scheme should certainly consider setting one up; those which have already taken this step should contemplate a larger than normal annual contribution within the fairly generous limits allowed by the Inland Revenue (the funding level will have to be approved by the actuary but tho Revenue acknowledges the often erratic trading performance of smaller companies).

Remember that the payment must be made *before* the end of the accounting period—next year is too late for a business with a tax year ending December 31. A significant advantage of making an extra payment into the pension scheme lies in the now widely promoted "loan back" *provisions* — companies requiring the cash in future can borrow from their own pension fund provided they do so at a commercial rate.

Expenditure on plant and machinery, meanwhile, can be fully written off before taxable profit is struck (known as 100 per cent first year capital allowances).

Companies anticipating healthy profits in the current period might well therefore consider accelerating purchases which would normally have been made after the end of the tax year. (*Relief incidentally is also* availablo if the equipment is bought on HP or deferred purchase terms, instead of with cash). Remember that it is not good enough just to sign a contract—tho money must be "due and payablo" before the end of the accounting period.

A little property construction—a new factory or a new extension perhaps—also comes in handy at this stage in the game, provided the premises are used for industrial purposes (not commercial). Tho first year industrial building allowance (IBA) is now 75 per cent of the capital costs (and 4 per cent per annum) or 100 per cent in the first year if tho units are less than 1,250 sq ft. IBAs can also be claimed on new industrial premises occupied by other tenants. *The risks however*, are obviously greater since the return on investment is dependent on an outside agent.

IBAs are very popular at this time of year, but given the excess of supply over the demand for small units in some areas such arrangements should not be entered into without sound professional advice. Time is probably running out for a company with a December 31 year-end.

Leasing has been a bonanza for big companies over the last few years — notably the major banks — but there is no reason why small companies cannot take advantage in the right circumstances (where returns are sufficiently attractive).

Potential participants, however, should distinguish between a *financial* lease, which is purely a financial transaction and is less risky and an operating lease (examples include containers, canal boats and aeroplanes) under which the lessor has responsibility for the equipment when the lease period is over. This is a business for specialists.

A more straightforward alternative is simply to pay the directors and/or staff a bonus for tho year. If this seems too radical an idea to stomach at this stage, the Inland Revenue happily allows time to reconsider; staff bonuses and directors' remuneration can be fixed after the end of the accounting period and related back to claim extra tax relief (in contrast to the pensions position mentioned earlier).

Other items of expenditure—a proposed advertising campaign, necessary repairs like fixing a leaky roof, for example—can all be brought forward and (where relevant) interest owed to debenture holders has to be paid before the end of the accounting period to qualify.

Most building companies ensure that the timing of payments on long term contracts is designed to be tax efficient—but other businesses should also be able to benefit, albeit probably to a lesser degree. In emergency all companies are allowed to change the date of their financial year end—but good reasons would be required to justify such a move.

There are, of course, a number of more dubious ways of avoiding corporation tax. Avoidance schemes are sometimes marketed but needless to say the Inland Revenue does its best to clamp down on them. Measures have also been taken to stop acquisitive companies "trafficking in tax losses," at least over the shorter term.

Spotlight on the SBA

IN THE U.S., the Small Business Administration, with a wide range of legislation at its fingertips, can ensure that there is a positive bias in funnelling government business towards small firms.

For example, the SBA has played a leading part in seeing that, currently, small firms get a $50 to $60bn slice of the $150bn of U.S. government contracts each year. In contrast, the UK Defence Ministry spends £800m a year but has no records of how much goes to small or medium sized companies.

The question of whether the UK or other countries in Europe could benefit by such an organisation as the SBA was raised last week when a close—and at times sceptical—look at its 30 years of experience was undertaken in Edinburgh as part of the British contribution to the European Year of Small and Medium-sized Enterprises.

The meeting came in the wake of the findings—also published last week—of another project which showed that, among EEC member states, Britain comes a poor ninth (just ahead of Italy) in providing a favourable climate for small business. The top three positions, according to the study by the Economist Intelligence Unit, went to West Germany, Greece and France.

Sceptics in Edinburgh queried the performance of small businesses in the U.S., where estimates show two businesses disappear for every three that are born. Assurances on the quality and performances of the small businesses was also doubted on the basis of their bad debt record.

Robert Dolchin, staff director of the U.S. Senate Small Business Committee, noted that small business in the U.S. now accounts for 38 per cent of GNP, 90 per cent of tha new jobs and two and a half times the innovation of larger firms. It made sound political sense to back interests of these firms.

However, Sir Charles Villiers, director of BSC (Industry)—set up to promote the creation of new business, particularly in steel closure areas—told of the anxieties of big business that the small firms contracted might go bust and whether they were really competitive on quality, delivery and costs.

Peter Terpeluck, North East regional administrator for the SBA maintained that the $50bn to $60bn of U.S. procurements that went to small business were cost-effective because they were open for rival bids from other small firms.

Sir John Hoskyns, formerly head of the Prime Minister's policy unit in the UK, queried the SBA's claims for cost efficiency of small business performance. If it was cost beneficial, why wasn't it normal management practice, he asked.

Terpeluck's explanation was that it was often the easy way to hand everything over to a large corporation. Part of the SBA's job was creating a consciousness of small business among procurement agencies and big companies.

Mark Meredith

In brief . . .

A PROJECT has been launched to tap a wide cross section of small business opinion. *Sponsored by "Work and society,"* an independent organisation backed by some major UK companies and the Rowntree Memorial Trust, the aim is to prise answers from reticent entrepreneurs in small businesses about their ambitions, backgrounds, hopes and fears.

According to the researcher, Hugh Armstrong, the survey is designed "to find ammunition to influence politicians and others." He argues that the wide range of existing lobbyists does not always reflect the views and preoccupations of the people they are trying to help.

Armstrong has contacted a nationwide selection of small firm advisers and organisations and reckons to have distributed 10,000 copies of the simple questionnaire being used. He would, however, be glad to hear direct from any business with less than 500 employees and stresses that strict confidentiality will be observed. Details from H. A. Armstrong, Coney Berry, Elvendon Road, Goring-on-Thames, Reading RG8 7BR.

THE third in the Retail Consortium's series of one day seminars aimed at considering the problems *facing* small and medium sized retailers will take place at London's Hilton Hotel on December 13. The *aim is* to let representatives of various institutions explain how they can help and to allow retailers to discuss ways to survive and prosper. The programme is being funded by the European Community so the seminars are free and early application is desirable since the second seminar in Glasgow this Friday has been sold out for some time. Details from The Retail Consortium, *Palladium* House, 1 Argyll Street, London W1V 1AD. Tel: 01-734 0682.

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A *STUDENT* "sit to" at the Polytechnic of Central London earlier this month affected the telephone number given on this page on November 8 for those wishing to attend the Polytechnic's forthcoming Business Computer Courses. The person to contact is Annie Signac on 01-580 2020, ext 233, but in case of further unrest the address is Short Course Unit, Polytechnic of Central London, 309 Regent Street, London W1.

T.D.

How Rathdown built on a technological turnround

Jason Crisp reports on the metamorphosis of a 'metal-basher'

Don Fewings: a new family of products

TWO YEARS ago Rathdown Industries came close to going out of business. As it was, its sales plummeted by nearly a half and it cut two-thirds of its staff.

But Rathdown has found new skills and has just won a £2m order from British Telecom to supply it with a microprocessor-controlled consumer product. The number of employees has risen from a low point of 120 to 200 and it is still recruiting.

The company is now flourishing and there are two main reasons for its survival. First it changed from "metal bashing" to electronics with exceptional speed and apparent success. Second it has become a beneficiary of British Telecom's much vaunted new role of encouraging small suppliers, rather in the way the Marks and Spencer retailing group does.

Rathdown Industries—a subsidiary of Unitech, the electronics distribution group—was a small engineering company bashing out specialist parts by the million for the telecommunications industry. Its near downfall was the result of being a sub-contractor in an antiquated technology which was being rapidly phased out. (Even the major manufacturers have shed tens of thousands of jobs as electronic telephone exchanges replace the old electro-mechanical equipment.)

In the past, most of the company's sales were to British Telecom (the Post Office as it then was). Rathdown's main product was the electro-mechanical meter used in telephone exchanges to measure the usage of each telephone line. The recession and new technology brought orders to a rapid standstill.

In July last year an article on the Management Page looked at how Rathdown had halted the slide by licensing a new telecommunications product from an Austrian company. Don Fewings, the new managing director, had decided to abandon the company's traditional manufacturing skills in favour of pursuing the telecommunications market it knew but with a different technology.

Many employees had objected, but Fewings argued there was nothing unique in a company that could bash out metal parts. The first step towards change was a licence to produce an electronic microphone for telephones from AKG of Austria. A contract was won from BT in a competitive tender. BT liked AKG's technology but also wanted it made in the U.K. The order—also worth £3m—gave Rathdown breathing space and also some experience of electronic assembly.

At the time Fewings pointed out that the company needed to develop its own microprocessor-based products because of the inherent lack of profitability in products made under licence.

The result has been the development of a new family of products in close conjunction with BT and with the initial help of computer software consultants. The help from BT has included technology and marketing.

The first two products are a call monitor and a call logger to be used on a telephone — as opposed to a private exchange. They automatically tell the telephone user how much a call is costing as it is made and the running quarterly total. The logger provides a print-out of calls made. The main difference between the Rathdown products—which will be sold only by BT—and others already on the market is that it is automatic and does not require any equipment on the line at the exchange.

According to Rathdown the marketing relationship with BT involves an initial approach with a product idea. If the idea is liked, Rathdown builds a prototype and then the two organisations conduct joint-market research. (Rathdown particularly wants to be part of the market research in order to have a better understanding of the market rather than hear it second hand.)

The product is also developed with technical assistance from BT. The main help has been the provision of the electrical circuits common to all telephones and valuable guidance on gaining technical approval. Although Rathdown needed software consultants to help it develop its first products it has built its own team of 20 electronics engineers in two years.

David Aminzade, marketing director, *claims* that one reason a small company like Rathdown can be an attractive supplier to BT is because it can make changes or meet different requirements very quickly.

Rathdown has also just won a contract to supply BT with 5,000 desk-top payphones—which are used in pubs, restaurants and shops—as a second source to its main supplier. But Rathdown is also developing another cheaper, desk-top payphone, which is being funded by BT and is expected to become available late next year.

With the microphone, payphone and call-logging contracts Rathdown is now even more dependent on BT. In the year to May 1983 it made pre-tax profits of £783,000 on a turnover of £5m, of which 70 per cent was with BT. But as it develops new products Rathdown hopes to sell to established distributors, as a way of reducing that dependance.

For instance, while BT has exclusive rights to sell the call monitoring products in the UK it only has non-exclusive rights in Europe. Rathdown clearly hopes to sign up distributors for its products in Europe and other parts of the world. Rathdown is more than happy to have such a close relationship with BT. "It would be absolutely crazy for us to try to set up our own distribution in the UK," says David Aminzade.

Businesses For Sale also appears today on Page 14

Comet profit shows 163% increase

GROWTH has continued unabated at the Comet Group. In the second half the pre-tax profit has reached £6.78m for a £10.04m in respect of the full year ended August 27 1983, compared with £7.42m previously, an advance of 163 per cent.

After the £8.65m advance recorded at halfway, the directors were looking for a second half to compare favourably with the corresponding period, when profit came to £3.31m. They also forecast a minimum final dividend of 3.5p — and in the event are recommending 3.7p for a total of 5.7p, compared with 4.4p net. Shareholders will also receive a one-for-one scrip issue.

As regards the current year, this has been entered in a "spirit of cautious optimism," says Mr Michael Hollingbery, the chairman and chief executive. The group is in a strong financial position and is ready to take advantage of any opportunities for expansion.

A great deal depends on the electrical division but he does expect improved performances to be achieved by the other sections and believes they will contribute increasingly profitable growth in the years to come.

In the 1982-83 year, turnover shot up from £253.81m to £335.04m, excluding VAT. The profit was struck after exceptional costs £526,000 (£926,000) and employee profit sharing scheme £1.03m (£330,400), and crediting gains on disposal of fixed assets £147,000 (£302,000). After tax £3.73m (£560,000) the net balance is £15.81m (£6.86m) for earnings of 39.1p (17p) per share.

Demand was buoyant and profits were at a record in the electrical stores. In the opening months of the current year sales continue to increase, reflecting new openings. There has been a small advance in base sales, but costs have also risen and some reduction in margins has occurred.

By Christmas 10 new stores will have been opened, and 18 more are planned. As for relocations, 11 stores have been so treated, 13 more are planned, and many others will benefit from this policy, says the chairman.

The new stores and relocations will make further contribution to sales and profits, although it is difficult to forecast the exact level of sales which will be achieved by the existing stores.

In the Jupiter/Timberland division six stores are now converted to Jupiter, and one more conversion and six new stores are planned before March. Profitability is expected to show further increases.

External sales at Ideal Timber have more than doubled and profits have risen. A factory has been opened in Clydebank to make the group's own wood doors. "Profit prospects are good."

At First Avenue nine experimental fitted kitchen furniture shops have been opened in Scotland. Sales are increasing and the older branches are nearing profitability. Further sales growth is expected.

Freehold and leasehold properties have been revalued at open market value as at August 27, and a net surplus of £2.06m has been credited directly to reserves. At that date shareholders' funds stood at £53.25m.

At a news conference later yesterday, Mr Hollingbery said the biggest sales increases came in video recorders and colour televisions: but in the opening months of the current year sales had been more broadly based, and "this is a good thing."

Best trading areas for the group had been the South East and South West of England.

Mr Hollingbery made no secret of the fact that he was firmly behind full Sunday opening being introduced on the retail scene.

He was looking for a "reasonable profit" from the jewellery side—the first for three years. Last year the manufacturing operation cut its substantial losses into "only a small deficit" after interest charges.

Capital expenditure last time totalled £18m and would increase again in the current term as the group pressed ahead with the new store openings. By the end of this year there would be 170 units in operation.

The year end balance sheet would show cash in hand of around £22m. No takeover prospects had currently been identified but the chairman said he would be interested in a suitable acquisition in consumer durable retailing.

● comment

Comet is a classic cyclical retailer and with discretionary spending pouring into videos and colour televisions, outside predictions were already in the region of £19m to £20m. So while the dividend might be a little better than had been anticipated there was little to cause excitement yesterday. On the contrary, the cautious statement over the current year caused some furrowed brows. Comet Electrical probably accounts for 90 per cent of pre-interest profits and talk there of a small sales increase and pressure on margins sparked fears that 1983-84 will be decidedly short of growth. Of course everything depends on consumer expenditure next year and Comet is certainly at the sharp end if discretionary spending falls. Yet rapid physical growth should keep profits heading upwards, if at a modest pace. The increase in selling area will probably average out well into double figures and new Comet stores are inexpensive to kit-out and soon make a positive return after opening. At 313p the historic p/e of 8 on actual earnings is undemanding but the price has had a good run in recent weeks and could be vulnerable to a spot of profit taking if it rises much further.

HIGHLIGHTS

Lex looks at the terms of the Warburg/Akroyd & Smithers deal which were announced yesterday along with the full year figures for the jobber. Akroyd's pre-tax profits for the 12 months to September 30, fell from £23.9m to £16m. The column then goes on to comment on the turn of events at American Telephone and Telegraph which was floated in its new form yesterday. The Inland Revenue having sorted out AT & T's capital gains tax problems. Lex then goes on to consider the changes in the Dutch insurance industry that are being planned.

Initial rises and awaits benefits of acquisitions

THE quickly expanding Initial group reports increased first-half pre-tax profits, but the full benefit of the acquisitions made since the end of the last financial year will not be felt before 1984-85, the company says.

In the six months to September 30, 1983, pre-tax profits rose from £12.29m to £13.56m, and the interim dividend is raised from 3.75p to 4.25p net—last year a total payment of 12.75p was made from pre-tax profits of £27.11m (£22.55m).

Acquisitions completed since the year-end have included the United Service Company and Teitler Linen Service in the U.S. (at a combined cost of £10.7m); Descaling Contractors and Alpine Services in the UK (£1.1m), and Tadellos OHG (75 per cent interest) and Cito Textilpflege in West Germany (£0.8m).

Descaling Contractors is concerned with the inspection and maintenance of pipes and sewers; Alpine Services is a contract cleaner, and the remainder provide textile rental services, with Tadellos specialising in hospital contract laundering.

Last December, Initial contemplated an offer for the whole of the share capital of Johnson Group Cleaners. At the same time, Sunlight Services Group also made an offer for Johnson. Both bids were referred—and later turned down—to the Monopolies and Mergers Commission.

In September, Initial won a three-year contract, worth £600,000, to wash laundry for 13 hospitals in Surrey.

Group turnover in the first half was up from £103.05m to £108.48m, and operating profits advanced from £13.09m to £14.2m. The pre-tax figure was after interest charges down from £853,000 to £679,000, and lower non-trading income of £32,000 (£47,000).

Tax for the half was £4.74m compared with £3.91m. Minorities accounted for £227,000 (£200,000). Earnings per 25p share were 15.9p against 15.4p. There was an extraordinary debit last time of £157,000.

● comment

The UK rental business (of workwear and towels) which accounted for 62 per cent of Initial's profits last year, is suffering from the recession. Processing plants are being closed in north London, Salford and Brighouse with costs taken above the line. There are further rationalisation costs from the U.S. Consolidated Laundries business. Sketchley has already revealed the effects of reduced margins—on its NCB contract. Initial has withdrawn completely from NCB, refusing to keep on what it consider to be non-profit making contracts. The effect will only come through in the second half. The automatic hot air dryers business continues to trade at a satisfactory level, as does the engineering and contract cleaning business. The privatisation of hospital cleaning is looked to as a growth area, though competition is intense. Otherwise, Initial is looking overseas for growth. Further acquisitions are planned and the net debt to equity ratio which stood at 11 per cent at the year end is likely to have doubled by end of the current year. Pre-tax profits of around £30m are expected but with prospects for the sector looking gloomy, the market is beginning to find a p/e of over 13 a bit fanciful.

Better trend at Comtech during second quarter

IN THE second quarter to September 30 1983, group turnover of Combined Technologies Corporation rose by £8.84m to £57.82m and the loss was cut from £967,000 to £751,000.

The loss was struck after research and development costs £478,000 (£240,000) and net interest payable of £522,000 (£773,000).

For the half year, therefore, the turnover is pushed up from £98.08m to £109.51m, and the loss is also higher at £1.81m, against £1.4m. This time there are minorities of £545,000, which reduces the half year's loss to £1.06m.

A split of the half year's turnover and operating profit, £462,000 (£511,000) shows: Mnemos £13,000 (nil) and loss £2.42m (£2.03m); control systems £1.87m (£2.26m) and loss £21,000 (profit £75,000); automotive £69.33m (£59.26m) and £1.78m (£1.45m); hardware wholesaling £25.55m (£24.1m) and £594,000 (£622,000); other £12.78m (£12.47m) and £530,000 (£494,000). Research and development costs were £848,000 (£376,000) and net interest payable £1.22m (£1.63m).

Comtech holds 63 per cent of the capital of Mnemos, which runs the System 6000 information storage and retrieval product launched in America and Europe in October 1982.

Mr James Longcroft, executive chairman, reports that the marketing and sales effort for the Mnemos System 6000 has continued at a high level Another evaluation order was secured, bringing the total to four for the first six months of the financial year. In addition, the directors are in the final stage of negotiation for a further six evaluation contracts.

The company has been assured that it will be granted a contract shortly by General Dynamics in connection with the automated test equipment for the latest U.S. weapons system.

Plans have been approved for the second data and disc studio to be built in the U.S. to augment the capacity of the existing UK studio.

It is planned to introduce product extensions and enhancements some time mid-next year, which would make the product even more beneficial to the users, says Mr Longcroft.

"We believe that the near-to long-term prospects for your company are very good indeed," he says.

The financial position of Mnemos is satisfactory and the recent negotiation of inexpensive development funds for the construction of the U.S. studio will add to financial flexibility.

Activity in the other established technology subsidiary, Cableform, remains at a lower level. The company is unlikely to produce satisfactory profits until a cyclical upturn is experienced.

The second product has now been approved for development. Codenamed Theta this product provides super cheap memories for micro, mini, and large scale computers uses techniques. Comtech has adequate resources to support Theta during this stage of its company's development.

There is a new material reaching the proof-of-principle stage. Code-named Meta it could support a new generation of products that could so simplify existing techniques of optical storage that the difficult problems that optical discs have so far encountered would disappear.

In commercial activities automotive profits in the second quarter reflected a record August for new car registrations, and a buoyant September. The group's performance to date has been very satisfactory.

Extensive planning exercises in the hardware wholesaling operation are now bearing some fruit, as the group continues to make profits in a climate of modest demand.

The builders' merchants business is now earning a respectable level of profit on assets. Travel activities are somewhat disappointing, and the directors have taken the opportunity to dispose of the motor-camper subsidiary.

● comment

Comtech and its 63 per cent offshoot Mnemos have never pretended to be other than high-risk investments. But the nature of the risk appears to be changing. Even if firm orders for System 6000 are taking rather longer to materialise than many shareholders had envisaged, it is looking increasingly likely that the product will be capable of generating something like the revenues projected in the spring prospectus. The real risk now seems to be timing: whether any orders produce cash quickly enough to prevent working capital from dwindling to a level that could subject the balance sheet to intolerable strains—probably by the end of next year. So it is, that optimistic noises in the report about evaluation contracts had little effect on the market. Operating losses were if anything slightly less than expected and Comtech's shares slipped 1p to 29p—or 31 per cent below the April offer price. Mnemos was unchanged at 29p. Meanwhile, the commercial division continues to provide useful cash flow for product development, with automotive profits up 23 per cent for the half year thanks to a record August for car registrations.

Ivory & Sime 66% ahead in first half

A JUMP of 65 per cent in pre-tax profits from £581,000 to £966,000 has been shown by Ivory & Sime for the six months to the end of October 1983. Turnover of this independent Scottish investment manager, which gained a Stock Exchange listing last September, expanded from £1.94m to £2.39m.

The group derives substantially all of its income from investment management fees from institutional clients which include 10 investment companies listed on the UK Stock Exchange and a number of UK and overseas pension fund clients.

Commenting on the highlights for the period the directors say a new investment trust, Personal Assets Trust, which is managed by Ivory & Sime, was launched and acquired a listing on September 2. First Charlotte Assets Trust, also managed by Ivory & Sime, concluded a rights issue last July.

European Assets Trust NV, a Dutch investment trust which is advised by the parent company, completed an offer for sale of its share and became listed on the Stock Exchange last October.

Tax amounted to £435,000 (£261,000), leaving £531,000 (£320,000).

Amortisation of goodwill came to £125,000 (same). The directors say goodwill arose on the purchase of the investment management business from the predecessor company following a reorganisation in March 1981. The amortisation is in accordance with the requirements of the Companies Act 1981.

The directors believe that the value of the business has not depreciated since purchase, and that the earnings per share of 2.08p (1.25p) before amortisation of goodwill reflects the continuing earnings pattern of the company.

Earnings per share after amortisation are 1.57p (0.74p).

The company's share of the expenses of the offer to shareholders of Atlantic Assets Trust, and the expenses of obtaining a quotation for its ordinary shares, amounting to £83,000, have been charged against income.

The results of Ivory Sime (Oil and Gas) Incorporated have not been consolidated.

● comment

First-time figures from Ivory and Sime as a quoted company are good, but so they should be. These are, after all, still bullish times, especially on Wall Street, where Ivory has the bulk of its funds under management. But the profit improvement was, apparently, reasonably spread between market-related income and new business — the latter coming from a flotilla of new investment trusts and pension fund money. Not from the U.S., though. Ivory has a modest piece of the ERISA action, but as a determindly fundamental investment house is not ideally suited to a U.S. market manically geared to short-term performance. There is, besides, the impression that the shenanigans in Charlotte Square in the early part of the year, with several senior managers departing, raised a few eyebrows across the Atlantic. But with new blood being discreetly brought in, the UK pension business looks safe enough: and as investment trust managers Ivory is among the best. Among quoted investment management vehicles, this is also the only one with no unit trust exposure, and as such is much less exposed to a bear market. But with only 25 per cent of the equity in public hands, the shares look fairly unexciting in either direction.

Unilever plan

Shareholders in Unilever are being asked to approve a reduction in the capital of 24.99m ordinary shares.

These shares represent that part of the holding of Unilever shares held by the Trustees of the Will of the First Viscount Leverhulme (who died in 1925) on which dividends are waived.

Tax changes since the death of Viscount Leverhulme could make the trust liable to major capital transfer tax charges on its shares not devoted to charitable purposes. Therefore, some changes have been made to the Will Trust but benefit therefrom will only be achieved if the shares are cancelled.

Water placings

Two water companies are raising money through placings of 12 per cent redeemable debenture stock 1983 at par. The Mid Kent Water company is raising £3m and Tendring Hundred Waterworks Company is raising £1m.

Brokers to the issues are Seymour Pierce & Co.

Ward White rights

Of the 13,109,960 new ordinary shares of 25p each offered by way of rights to the shareholders of Ward White Group, over 95 per cent have been taken up.

NMC Investments

NMC Investments followed its £65,171 profit earned in the second half of last year with a taxable surplus of £71,000 for the six months to September 30 1983. In the comparable period a deficit of £15,000 was incurred.

The company, a manufacturer of fibreboard containers and which also derives income from investments, achieved an advance in turnover from £1.42m to £1.64m.

Taxable profits were after interest of £32,000 (£15,000), depreciation of £35,000 (£27,000) but included dividends and interest receivable of £23,000 (£18,000) and profit on investment sales up at £70,000 against £22,000. This time there was a £7,000 provision against investments release. Tax for the period absorbed £16,000 (£5,000), equal to earnings of 0.64p (loss 0.38p).

Clifford Engineering

Georg Arthur and Co, chartered accountants, are assisting Clifford Engineering following cessation of trade on October 26.

The directors have not finalised the statement of affairs, but it appears that the company will be placed into creditors voluntary liquidation. The venue of a creditors meeting arranged for December 2 has been moved to Haven Hotel, St Albans, at 3 pm.

Five Oaks Inv.

Pre-tax losses of £156,000 against profits of £102,000 are reported by Five Oaks Investments for the year to June 30 1983. At halfway, the company had losses of £72,931 compared with profits of £78,997.

Turnover rose from £1.18m to £4.69. Tax was again £3,000, and there was an extraordinary credit of £18,000 (£36,000 debit). The loss per 5p share was 3.6p (1.95p earnings).

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LBI expands in Japan

Lloyds Bank International yesterday opened an investment banking representative office in Japan in addition to the bank branches the company already has in Tokyo and Osaka.

The representative office will advise Japanese corporations on how to approach world capital markets. It will also provide advice to Japanese institutions on the management of overseas investment portfolios and to corporate clients investing in seeking to raise funds in Japan.

The Lloyds investment banking office will be located in the same building as Lloyds Tokyo branch but will be a legally separate institution. Its establishment represents part of a Lloyds policy of diversifying its operations in Japan from the original base in conventional banking.

The Lloyds move follows last week's formal opening of a Tokyo representative office by Samuel Montagu, the London-based merchant bank in which Midland Bank holds a 60 per cent interest. Samuel Montagu manages some £250m worth of UK funds invested in Japan. The company also expects its Tokyo office to advise Japanese institutions on real estate investments.

Stockholders Invest.

At October 31 1983, net asset value of Stockholders Investment Trust was 260.9p after prior charges at par, and £264.8p with those charges at market value. These compare with 199p and 203.5p a year ago, after being 259.5p and 263.8p at April 30 last.

For the year ended October 31 1983 net revenue available for the ordinary capital fell from £1.58m to £1.41m, and the dividend is maintained at 3.85p net, with a final of 2.1p, at a cost of £1.53m. Holders registered January 13 will rank for a 1-for-1 scrip issue.

Total income for the year was £3.91m (£3.58m). Tax came to £1.18m (£1.23m) and earnings were 3.54p (4p) per share.

Investments at valuation stood at £118.09m (£92.21m) and there were net current liabilities of £1.91m (£2.51m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: A and M Hire, Amersham International, Dunhill, C. E. Heath, Amos Hinton, London and Lennox Investment Trust, Metal Box, Murray Technology Investments, Pactrol Electronics, Parkland Textile, Rexmore, TR Property Investment Trust, Zygal Dynamics.

Finals: Adam Leisure, Burton.

FUTURE DATES

Interims:	
Anderson Strathclyde	Nov 23
Bassett Foods	Nov 29
Brickhouse Dudley	Nov 30
Estates and Agency	Nov 29
Freshbake Foods	Nov 30
Greene King	Dec 16
Habitat Mothercare	Dec 1
Humphries Holdings	Nov 24
Kleen-E-Ze	Dec 5
Finals:	
Brown (Matthew)	Dec 5
Carr (John) (Doncaster)	Nov 28
Carr's Milling Industries	Dec 9
Construction Holdings	Nov 23
M & G Group	Dec 15
Samuelson	Nov 30

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Akroyd & Smithers		12.5	—	11	16.5	17.5¶
Comet Group		3.7	—	2.98	5.7	4.4
Concentric		2.1	Jan 13	2.1	3.31	3.31
Garford-Lilley	int	0.25	—	0.25	—	1.69
Hambros	int	15.25§	Jan 4	15.25	—	52.75
Initial	int	4.25	Dec 14	3.75	—	12.75
MK Electric	int	3.2†	Jan	2.75	—	8
Property Prtnrshps.	int	3	Dec 16	2.75	—	8.25
Regalian Props.	int	0.75	Jan 9	—	—	1.25

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § On £2 shares (50p paid). ¶ Including special 2.5p.

UK COMPANY NEWS

Hambros is over worst of its loan problems

Hambros has got the worst of its loan problems behind it. Reporting improved profits for the half year ending September 30 1983, the banking, broking and energy group says it does not envisage any more provisions against Norwegian tanker loans, nor any further write-down of its U.S. oil and gas interests that have dogged it for several years.

Th group is also negotiating to sell five tankers belonging to the Reksten company which caused the shipping losses.

As is customary, the group gave no details of its profits, but the interim dividend remains unchanged at 15.25p on £2 shares (50p paid), 1.525p on 5p limited voting shares, and 2.1p on £1 non-voting shares.

Banking profits were up, due largely to the decline in interest rates and the strength of the banking market. Insurance and diamond broking were also better. Hambros has also just completed the sale of its 75 per cent interest in Collett Dickenson Pearce, the advertising agency, for £1.9m.

Because Hambros has reduced its holding in Hambro Life Association to 25 per cent, income from this former mainstay of the group's profitability will be lower than last year, though Hambro Life has announced a 17 per cent increase in its interim dividend.

Prospects depend largely on the successful sale of the tankers, about which Hambro is quite confident. Other parts of the group are expected to extend their improved performance.

Growth for Property Partnerships midway

For the half year ended September 30 1983 Property Partnerships has pushed up its pre-tax profit from £407,000 to £467,000, and is raising the interim dividend to 3p, against 2.75p.

Gross rental income from investment properties came to £355,000 (£342,000) and sales reached £1.34m (£1.2m). Operating profit was £506,000 (£444,000), with hotels accounting for £256,000 (£213,000) and property investment £250,000 (£231,000).

Tax took £243,000 (£212,000) to leave net earnings at 6.3p (5.5p).

Garford-Lilley

Improved pre-tax profits, up from £297,000 to £362,000, are reported by Garford-Lilley Industries, the engineering, plastics and woodworking group, for the six months to September 30 1983. The interim dividend is unchanged at 0.25p net—last year's final was 1.4375p.

Garford-Lilley agreed at the end of October to a cash and shares bid by Williams Holdings, the Monmouth-based die-caster, founder, engineer, and BMW car dealer. Williams' bid valued Garford at £5.44m.

Garford's first half turnover rose from £2.92m to £3.55m. Tax took £187,000 compared with £154,000, and earnings per 5p share improved from 2.16p to 2.66p.

The directors say the improved trading position seen in the first half is expected to continue into 1984.

MK Electric up £2m at halfway

DESPITE increased expenditure on product development and further investment, the MK Electric Group has *sustained its* growth and for the half year ended September 24 1983 is showing a £2m advance in profit to £7.6m.

The directors state that the business environment remains satisfactory, "providing encouraging *prospects* for *both* sales volume and margins." They are stepping up the interim dividend from 2.75p to *3.2p—for the year ended March* 26 1983 the total was 8p from pre-tax profits of £13.3m.

In the half year turnover moved ahead *from £46m to* £56.9m, and the trading profit rose by £1.4m to £7.4m after net operating costs totalling £29.5m (£40m).

The increased expenditure applied particularly in the application of electronics technology to the company's established products. Further investment was made to increased activities in the market for circuit protection.

Sales of wiring accessories showed a satisfactory increase. Plans for capital expenditure to expand production capacity for PVC conduit and trunking have *been brought forward* to *meet* the strong demand, particularly in the UK.

Gent is making a "useful contribution" to the group, well justifying the expectations at the *time of its acquisition* in *July* 1982.

● comment

The combined effect of loss elimination from MK Electric's withdrawal from industrial switchgear, the swing in the *interest bill thanks* to the *rights* issue and Gent's first contribution, benefited these figures to the tune of around £1.3m. That *points* to *an underlying profits* growth of 13 per cent, the chief feature of which is an upturn in demand for wire accessories *for* house refurbishments. With 71 per cent of group turnover devoted to wiring accessories, where MK holds around half the UK market, the directors are thinking harder than ever about diversifying eway from the core business. MK has net cash of around £5m and is looking to follow up the Gent acquisition with another energy management and security company, this time in the U.S. In the meantime, demand for MK's products from the British housing market should push the full year's profits up to perhaps £18m pretax. That puts the shares at 300p, up 7p, on e *prospective multiple* of 10, assuming a 40 per cent tax charge.

British Investment Trust forecasts earnings rise

GROSS REVENUE at British Investment Trust showed an increase to £6.07m against £5.53m for the half year to the end of September 1983, and the directors expect e satisfactory improvement in *earnings* for the full year.

Continuing improvement in world economic situation is looked for in the coming months, led by the U.S., say the directors, and this should be reflected in the performance of the portfolio for the balance of the financial year.

As already known, an interim dividend of 5.1p has been declared. In the last full year a total of 10.6p was paid.

Gross revenue broke down as to franked income £2.85m (£3m) and unfranked income £3.22m (*£2.58m*). *The directors say that* the fall in franked revenue was due to a much lower exposure to UK equities.

Since the year-end, the directors say the policy of realising profits on highly rated UK shares continued. These funds were reinvested in attractively priced companies in the U.S. and Japan. At the end of September UK investments accounted for 47.6 *per cent* of the total compared with 62.8 per cent e year earlier.

The UK equity market already seems to discount economic prospects for 1984 and some further weakness in share prices is possible say the directors. Gilts, however, may take encouragement bothf rom the declining trend in interest rates and from the high level of yields in relation to inflationary expectations.

In the U.S. a strong economic recovery is likely to produce further gains in the stockmarket which should more than offset any weakness in the dollar.

For the *six* months, management expenses took £203,000 (£186,000). Interest was the same-again at £109,000. Tax moved ahead from £1.79m to £2.04m.

Cindico chairman resigns following poor results

IN THE light of "disastrous" results boardroom changes have been effected et Cindico Group, the North Humberside manufacturer of nursery equipment.

For the 28 weeks ended July 16 the group plunged £196,000 into the red at the pre-tax *level*. This compares with a profit of £3,000 for the 1982 year and a forecast profit of £725,000 for that period when the *company's* shares were first listed on the over-the-counter market in May 1982.

In a statement in March this year Mr Richard Downs said the constitution of the board would be considered if satisfactory results were not indicated for the 28 weeks.

In the light of the results Mr Downs has resigned as chairman and Mr David Capron has been appointed as executive chairman. Mr Aubrew Loze, managing director of *Leisure Industries*, has been invited to join the board as non-executive director.

Mr Capron says a programme to *eliminate* the losses *has* begun and that if current progress is maintained, and provided there are no significant changes in the *pattern and size of orders, the* group "should be on the road to recovery by the end of the current year."

Concentric optimistic as profits reach £1.3m

AN UPTURN in *second-half* profits at Concentric has more than made up the ground lost in the first six months.

The second half pre-tax profit moved ahead from £455,000 to £856,000 leaving the total for the year to the end of September 1983 up from *£1.12m to £1.31m.*

The directors say that while the future looks brighter than it did a year ago their experience *over the past three years* discourages over-optimism. They view the next 12 months with "quiet confidence."

The net final dividend has been held at 2.1p, which maintains the total at 3.31p. Earnings per 10p share moved up from 4.92p to 5.02p.

At the half-way stage the directors said they were confident they had weathered the worst of the recession. They *said* that *profitability* had been substantially eroded in traditional areas but that they were beginning to see more stability in the market for more specialised higher technology business. They said some restructuring was under way from which the group would benefit in the future.

For the full year sales of this holding company, which is engaged to controls and assemblies for *domestic*, automotive and engineering industries, expanded from £40.48m to £44.17m. The directors say this represents a group record

New products and markets have been established with special emphasis on new technology. Particularly successful operations *involved* micro-electronic based control systems, safety critical motor components and plastic products mainly for the horticultural industry.

In the light of this progress and with the prospect of increased activity abroad, especially in the U.S., the directors contemplate the next 12 months with quiet confidence.

Tax for the year increased from £191,000 to £365,000.

Regalian boosted by sharp drop in interest charges

THE OPTIMISM expressed by Regalian Properties in the statement accompanying the report and accounts for the year ended March 1983 has proved "fully justified."

Following a £343,271 drop in interest payable and similar charges to £143,102 profits before tax for the opening half of the current year rose sharply to £439,160, more than double the £197,114 reported for the same period last year.

The directors, headed by new chairman Mr L. J. Walton, view the future with confidence and as a mark of that confidence shareholders will receive an interim dividend of 0.75p net per 25p share. It is expected that a final of not less than 1.75p will be recommended—a single payment of 1.25p was paid for 1982-83.

Turnover for the first six months, to September 30 1983, was slightly lower at £2.56m (£2.59m) and net operating income emerged at £566,303 (£882,591) after a rise in cost of sales, and higher administration expenses of £174,414 (£137,218)—the group manages and arranges the sale of properties of its subsidiaries which develop and deal in property and hold residential, commercial and industrial property as investments.

Interest receivable and similar income fell from £20,896 to £15,960.

Profit on ordinary activities, after tax of £186,039 (£47,135), moved ahead by £103,142 to £253,121 from which interim dividend payments will absorb £33,373.

Earnings came through at 5.69p, compared with 3.37p, per share. Pre-tax profits for the 12 months to March 31 1983 totalled £533,396.

● *comment*

David Goldstone has surrendered the chairmanship of Regalian Properties to outsider Leonard Walton. It is a step towards raising the profile of Regalian, having extricated it from the management agreement with First National Finance Corporation which prevented dividend payments for many years. Goldstone controls 61.59 per cent but is likely to place some shares with institutions as a couple of opportunities similar to the successful Battersea Village project materialise. The £3.8m Battersea site consists of some 300 redeveloped units of which around 200 have been sold averaging £45,000 for a two-bedroom flat. Regalian is on a short list to develop 150 units in London Docklands and tendering for other projects—some possibly jointly financed with local authorities—in other London boroughs. Regalian is almost wholly London and residentially based, though it has a potential £15m to £20m commercial scheme in Tunbridge Wells awaiting planning permission. It could make £750,000 pre-tax for the year. On the forecast final net dividend of 1.75p the shares at 90p, yield 2.4 per cent right in line with the sector average.

Southwest Resources progress

SOUND progress continued to be made by Southwest Resources during the half year ended September 30, state the directors in the interim report.

They say that at this stage of the *company's growth* they consider it prudent to retain earnings for the *further* development of its main activities—mining, mineral processing and oil and gas exploration and production.

On turnover of £1.3m profits at the pre-tax level totalled £513,000 for the half year. This compares with £373,000, which comprised Southwest Consolidated Resources for the six months to end-September 1982 and figures of Southwest Resources for the first half of 1982.

The group, formerly known as Burma Mines, obtained a share quote on the Unlisted Securities Market in January this year. The Dominion International Group has a majority stake in the company.

The directors say that oil and gas production in the U.S. is advancing steadily. Recent acquisitions are starting to contribute and *new discoveries* are being brought on stream.

The current exploration programme, mainly in Texas and Louisiana, is providing "good results" and two significant discoveries are in the course of being tested.

It is pointed out that the company is planning for further growth in the U.S., and that the acquisition of additional producing properties will be considered whenever suitable opportunities arise.

Following *a seismic evaluation* in the summer, drilling has commence on block 44/23 (in which Southwest has a 7 per cent interest) in the southern gas bearing sector of the North Sea.

The well will be drilled to approximately 5,000 ft to test the Bunter sandstone which was productive in a well drilled on the block by British Petroleum in 1967.

In the Far East, negotiations are proceeding "*satisfactorily*" with the Thai Government on the petroleum concession for onshore exploration and production.

Half year tax took £10,000 (£17,000) to leave earnings at 1.98p (1.4p edjusted) per 40p share.

Lucas sees stronger recovery in second half

THE DIRECTORS of Lucas Industries are looking to 1983-84 as a period of consolidation. They expect a modest improvement in performance in the first half of the year and a stronger recovery in the second.

They say they will maintain and intensify the programmes of cost cutting and productivity improvement to enhance profitability further. Their aim is to achieve worldwide competitiveness in all operations.

Revealing this in their report to shareholders with the accounts for the year ended July 31 1983 they say that with the help of all Lucas people they are determined to achieve these objectives and plan continued progress so that the group's financial performance reaches "acceptable levels."

It is pointed out that sales of aerospace equipment were lower in 1982/83 than in the previous year and that no significant upturn in world demand for civil or military aircraft is anticipated during the next 18 months.

However, the directors say spending on guided weapon systems is increasing and that this sector offers continuing prospects for Lucas Aerospace.

During the past year the group continued to maintain a high level of expenditure on research and development. Expenditure amounting to £78m was incurred both on basic research and on developing products and manufacturing processes to ensure that it was able to meet customers' requirements at competitive prices.

As already known, group pre-tax profits for 1982/83 plunged from £20.2m to £2.1m although turnover was virtually unchanged at £1.22bn. At year end, group shareholders' funds totalled £420.6m (£437.3m). Net current assets showed an improvement from £230.9m to £247.3m, including cash £23.9m (£14.6m).

Hawley reshapes Black & Edgington

By David Dodwell

Black & Edgington, the camping equipment and tour operating group acquired two months ago by Mr Michael Ashcroft's Hawley Group, has sold its entire interest in Blacks Camping and Leisure to a private company in a deal worth £3m.

The retail chain of shops catering for outdoor leisure activities comprises 25 outlets spread across the UK. It is being bought by Mr Gerry Bass and Mr Jim Higgins through a company called Windmount, an off-the-shelf company which on completion of the deal will change its name to Blacks Camping and Leisure (Holdings).

Chairman of the new company will be Mr Murdoch Morrison, who with Mr Bass and Mr Higgins will own 35 per cent of its equity. The men have the support of a number of institutions.

Caparo Properties, the group recently created by Mr Swraj Paul's Caparo Industries, has subscribed £260,000 towards the venture in exchange for a 20 per cent equity stake.

In addition, Caparo Properties has made a short-term secured loan to Blacks of £405,000. On repayment of the loan, Caparo will purchase for lease-back to Blacks three freehold shops currently occupied by the company for £405,000.

The purchase price of Blacks comprises £1.7m for the company, plus £1.3m to repay Blacks' indebtedness to its parent. On completion, £2.1m has been paid, with the remaining £900,000 to be paid at the end of next June.

Mr Garry Moodie, managing director of Black & Edgington, said yesterday: "It is our intention to concentrate on a number of growth areas, and our retailing operations didn't fall within that category."

In 1982, the lion's share of Black & Edgington's profits were generated by its travel subsidiary, Insight International Tours. Mr Moodie said yesterday that Blacks made a loss before tax in 1982 of £65,000, with net assets of £1.45m.

Mercury's £41m stake in Akroyd

BY JOHN MOORE, CITY CORRESPONDENT

Mercury Securities, the parent company of S. G. Warburg, the merchant bank, yesterday unveiled full details of a £40.95m acquisition of a 29.9 per cent stake in Akroyd & Smithers, one of the largest stockjobbing firms on the London Stock Exchange.

At the same time Akroyd revealed its results for the year ending September 30 1983 which showed pre-tax profits at £16.09m, compared with £24.96m a year earlier.

The purchase of the stake by Mercury is being carried out in two stages. In stage one, the Akroyd board has agreed to issue to Mercury 1,780,341 ordinary shares of 25p each in Akroyd. This will represent 10.01 per cent of the share capital as enlarged by that issue of new shares. Mercury will pay 585p per share and the consideration will be met by Mercury through the issue of £10.41m nominal amount of 7 per cent convertible unsecured loan stock 1988-2003.

The Mercury loan stock will be convertible during the years 1987 to 1998 into Mercury shares at a price of 535p per share.

In the second stage of the deal, Akroyd's board has agreed, subject to the approval of its shareholders at a future extraordinary general meeting, to issue a further tranche of shares. Under this arrangement Akroyd will issue a further 1,631,927 of its ordinary shares to Mercury at 585p per share. Mercury will pay for the stake through the issue of a further £9.55m nominal amount of 7 per cent convertible unsecured loan stock 1999/2003. Akroyd will issue 3,412,268 ordinary shares to Mercury at 615p per share in cash which will value that holding at £20.99m.

Akroyd's holding of Mercury's loan stock would represent about 8 per cent of the share capital of Mercury assuming full conversion of the stock by Akroyd.

Application will be made to the Stock Exchange council for the new ordinary shares in Akroyd to be admitted to the Official List. These shares will not rank for the recommended final dividend of Aroyd for its financial year ending September 30 1983.

The Stock Exchange council has approved the deal, as has the Takeover Panel.

Mercury is understood to have undertaken not to vote the full amount of its holding while Warburg funds under management hold shares in Akroyd. The amount that Mercury votes will be reduced to bring back the aggregate holding through its own stake and Warburg funds to the 29.9 per cent limit.

Once Akroyd and Warburg have completed their link it is proposed that initially a joint venture will be established in the U.S. through S. G. Warburg taking an approximately equal interest in Akroyd's U.S. subsidiary, Akroyd & Smithers Incorporated. This company will develop further its trading and distribution activities in the U.S. securities markets.

The two groups are also looking to extend their presence in the U.S. "both geographically" and hope "to expand the range of international securities traded." They are examining ways to increase the existing co-operation between the "substantial Eurobond trading activities of the two houses in London."

The joint chairmen of Akroyd, Mr Brian Peppiett and Mr Timothy Jones, will be invited to join the board of Mercury as non-executive directors. When the Stock Exchange rules permit, two representatives of Mercury will be invited to join the board of Akroyd as non-executive directors. Meanwhile, a "joint advisory committee is to be formed to implement close collaboration between the two groups within the scope of the present rules," said the two groups.

The board of Akroyd and its advisers, Hoare Govett, consider that the proposed deal with Mercury is "in the best interests of Akroyd, its shareholders and its staff and that the terms of the proposed issues of new shares to Mercury are fair and reasonable."

See Lex

For the 12 months ended September 30, 1983 pre-tax profits of Akroyd & Smithers fell by £8.87m to £16.09m with the second six months' contribution well down at £6.66m, compared with last time's £14.34m. Trading in the current year to date has resulted in a "reasonable level of profitability." The dividend for 1982-83 totals 16.5p net per 25p share, the final being 12.5p. The previous year 17.5p was paid, including a special payment of 2.5p on account of an exceptional profit. Tax for the past year accounted for £7.76m, against £12.21m, and after minorities, £37,000 lower at £27,000, earnings emerged 27.4p down at 51.9p per share. At September 30, 1983 group net assets totalled £41.68m, equal to 260.5p per share. In their interim report the directors said that since the end of the half year the level of profitability had been "satisfactory."

Riley takes over four more clubs for £0.89m

BY CHARLES BATCHELOR

Riley Leisure, the largest UK snooker club operator and table maker, has bought a further four clubs for £890,000, taking its total of clubs to 60.

Riley has exchanged contracts to buy four clubs in South London (near the Elephant and Castle), Crewe, Stoke and Hull from two businessmen with leisure interests, Mr P. Robinson and Mr G. Krempel.

The clubs, all of which were opened in the past 19 months, have a total of 60 snooker tables and are in areas where Riley is not currently represented.

Mr Michael Glyn, finance director of Riley, said: "We are always looking for more sites. It is quicker to buy an established club than start from scratch.

"It can take between six and eight months to obtain planning permission and a licence for a new club. Buying four clubs in one go saves us considerable time."

Riley is to pay cash or, at its own discretion, issue new shares to the vendors which would be placed in the market by stockbrokers Le Mare Martin & Co. to raise £890,000 net of expenses.

The assets being acquired are freehold premises worth £290,000, leasehold premises over 20 years worth £50,000, snooker tables and fittings worth £455,000, and goodwill worth £95,000.

Share option may herald changes at Trust Secs.

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Trust Securities, the property development and investment group headed by Mr Peter Jones, yesterday announced details of a share option agreement which could see it on the receiving end of a full-scale takeover bid.

Whether or not the bid is forthcoming, or is successful, top management changes within the group now look certain.

Mr Jones, chairman and chief executive of Trust Securities, started the group in 1976. Earlier this year he launched an abortive bid for Percy Bilton, and his group is currently pursuing controversial plans for a 2m sq ft commercial development scheme close to London's Heathrow Airport.

Under the agreement revealed yesterday, Mr Jones has granted options on 14.99 per cent of the group's ordinary shares to J. Rothschild and Co, Mr Stuart Lipton, former joint managing director of Greycoat City Offices, and Mr Elliott Bernerd, senior partner of Michael Laurie and Partners, the estate agents.

Each of the three potential purchasers have options on just over 1.58m shares at 15p per share and they have until March 31 1984 to take them up. It was not clear last night whether all the shares in question belong to Mr Jones, who is the largest single shareholder with around 6½m shares.

Yesterday's announcement said that discussions, which may lead to an offer for the whole of Trust's issued share capital, are continuing. News of the option deal sent Trust's shares up 5p to 49p. At the time of the Percy Bilton bid, they stood at 100p.

Given the market price, any full-scale bid in the region of the option price level would seem certain to fail. Even so, the exercising of the option rights granted yesterday would be expected to lead to the new shareholders taking up an executive management role in the group. Mr Lipton is seen as a likely new chief executive.

Many of the recent doubts about Trust's standing have centred around its Stockley Park project near Heathrow. The land assembly programme has been difficult and the group's ability to carry out such an enormous project has been questioned.

The share option agreement is clearly seen as the first step in putting the group back on a firmer footing and could provide Mr Lipton and his partners with a ready-made property development vehicle.

Rohan in joint venture

Rohan Group, Irish property and building group, yesterday announced agreement on a deal with a company registered in the British Virgin Islands for joint venture property developments in the U.S. In exchange for a 16.7 per cent stake in Rohan, the company will subscribe I£3.75m (£2.94m).

Rohan proposes to issue Northern Pines, a holding company for the international investments of a privately owned trading group operating in the Middle East, with 1.5m new ordinary shares—16.7 per cent of its enlarged share capital. It will seek shareholder approval for the deal.

Northern Pines will provide risk capital for projects submitted by Rohan in the range of $5m to $10m over the next two years.

In August Rohan's chairman Mr Kenneth Rohan reported severe pressure on the group's profits because of depression in Ireland's property and construction industries. On a turnover up by almost £5m to £15.1m in the six months to the end of June pre-tax profits slipped by £850,000 to £1.03m.

Carryfast buy-out

Carryfast, express parcels carrier has reached a management buy-out agreement with the SPD Group of transport and distribution companies.

The arrangement has the financial backing of a number of financial institutions, including ICFC.

SPD Group managing director, Mr John Harvey said the transfer would allow the SPD Group to concentrate efforts and investment on its warehousing distribution and specialist operations.

Wiggins Group

Colguy Holdings has acquired 400,000 ordinary in Wiggins Group and now holds 2.4m shares (24.3 per cent).

Montfort in reverse takeover of Palma

By Charles Batchelor

THE four-year-old courtship between two Leicester textile groups, Montfort (Knitting Mills) and Palma Group will be sealed by a £4m reverse takeover bid by Montfort.

This deal, which also involves a more than six-fold increase in the number of outstanding Montfort shares will give Palma a 65 per cent stake in the enlarged company. On completion the new company will itself be renamed Palma Group.

It will create a childrens' hosiery and knitwear group employing 1,300 people and with a turnover of more than £20m. Net asset value of the group will be £9.56m. Palma supplies the "Pex" brand of socks and tights to major retailers such as Mothercare, Marks and Spencer, BHS and others.

Palma said that substantial improvements have been made in running Montfort since Palma gained control last year, but a full merger is necessary to establish effective financial management. The additional funds will allow Palma to buy computerised machinery to streamline production.

Mr Peter Abiley, chairman and chief executive of the new group, said: "It makes good industrial logic. We feel there are resources which can be better used in an enlarged group." Palma is combining the headquarters of the two companies on one site in Leicester and there are undisclosed plans for a number of subsidiaries.

Montfort, the shares of which were suspended at 28p on November 9, now proposes issuing 14.15m of its own new shares to Palma—worth £3.96m at the last market price. Montfort currently has 3.01m shares on issue.

Montfort will also issue 2m new shares which, with Palma's present holding of 1.68m shares, have been placed by County Bank with institutions and private clients at 33p per share. This will raise £1m net of expenses and provide the new group with further working capital.

County Bank has also arranged the placement of 1.69m of the new Montfort shares to be issued to Palma at 33p to raise a further £559,000.

Montfort has three years of losses behind it including a loss of £389,000 in 1982. It expects to make a loss before tax and extraordinary items of not more than £750,000 in 1983 though there will also be extraordinary charges of not more than £450,000.

These extraordinary items arise from write-downs of stocks, losses on the disposal of property, and a £73,000 redundancy payment to three former directors.

Palma, excluding Montfort, has forecast a profit before tax and extraordinary items for 1983 of not less than £1.2m plus a small extraordinary credit. The merged group expects to pay a dividend of not less than 2p per share in 1984.

Palma, a private company owned by the Bailey family, first took a stake in Montfort in 1979 to frustrate a bid from David Dixon and Son, another textile group.

Palma initially had no plan to make a full bid for Montfort but in June 1983 it put in an offer of 28p per share. It acquired 62.3 per cent of the equity but subsequently placed some of the shares to bring its stake down to 55.7 per cent.

Bestobell

Bestobell has strengthened its position in the industrial noise control market with the acquisition of the Noise Control Centre (Melton Mowbray). The deal will give Bestobell approximately 20 per cent of the remedial noise control market.

Better showing at Homestake in third quarter

BY GEORGE MILLING-STANLEY

A MUCH improved performance from the lead and zinc operations helped Homestake Mining to achieve net profits of U.S.$12.35m (£8.3m) in the three months to September 30.

This compares with $9.91m in the June quarter and just $1.77m in the third quarter of last year, when the big Homestake gold mine in the Black Hill of South Dakota was closed throughout the period by a strike.

Homestake, the biggest gold producer in the U.S., said yesterday that gold earnings held up well in the face of the lower average price in the third quarter, helped by higher production. The metal contributed $13.15m to operating profits, only slightly below the figure for the June quarter.

The group succeeded in reducing the loss on its lead and zinc operations from more than $3m to just $500,000, while uranium contributed $500,000 more than in the June quarter and silver about $250,000 more. Investment income rebounded from a loss to a profit of $1.5m.

The latest results brought the total profit for the first nine months of 1983 to $34.48m, up from $6.88m at the same stage of last year.

The group was not willing to forecast the likely outturn for the year as a whole, and pointed out that production will be disrupted slightly over the Christmas holiday season.

Nevertheless, gold production for 1983 is expected to be the highest for a considerable number of years, and possibly an all-time record.

While Homestake cannot hope for a repeat of the rise in precious metal prices during the closing three months of 1982, which helped to lift year-end profits to $17.3m, the latest figures suggest that the group is limiting the adverse effects of low precious metal prices with considerable success.

Development work on the group's new mine, the McLaughlin project in California, is running on schedule, with first production expected in the opening three months of 1985.

The shares rose £¼ in London of £1.8m.

* * *

Canada's Lacana Mining reports net profits of C$8.3m (£4.6m) from operations for the first nine months of 1983. An extraordinary gain of C$6.06m on the sale of an interest in a subsidiary made the final net profit figure C$14.34m, up from C$2.69m at the same stage of last year.

* * *

Canada's Inco, the world's leading nickel producer, has announced a five-week shutdown at its operations in Port Colborne, Ontario, from December 26, to reduce stock levels. Holiday shutdowns of four weeks are planned for next summer at Sudbury, Shebandowan and Port Colborne, all in Ontario, and at the whole of the Manitoba division.

BASE LENDING RATES

A.B.N. Bank	9 %	Heritable & Gen. Trust	9 %
Allied Irish Bank	9 %	■ Hill Samuel §	9 %
Amro Bank	9 %	C. Hoare & Co. †	9 %
Henry Ansbacher	9 %	Hongkong & Shanghai	9 %
Arbuthnot Latham	9 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	9 %	Knowsley & Co. Ltd.	9½%
Associates Cap. Corp.	9½%	Lloyds Bank	9 %
Banco de Bilbao	9 %	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10 %
BCCI	9 %	Meghraj and Sons Ltd.	9 %
Bank of Ireland	9 %	Midland Bank	9 %
Bank Leumi (UK) plc	9 %	■ Morgan Grenfell	9 %
Bank of Cyprus	9 %	National Bk. of Kuwait	9 %
Bank of Scotland	□9 %	National Girobank	9 %
Banque Belge Ltd.	9 %	National Westminster	9 %
Banque du Rhone	10 %	Norwich Gen. Tst.	9 %
Barclays Bank	9 %	R. Raphael & Sons	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 %
Bremar Holdings Ltd.	9 %	Roxburghe Guarantee	9½%
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9 %	Standard Chartered ‖	9 %
CL Bank Nederland	9 %	Trade Dev. Bank	9 %
Canada Perm't Trust	10 %	TCB	9 %
Castle Court Trust Ltd.	9½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9 %	United Bank of Kuwait	9 %
Cedar Holdings	9 %	United Mizrahi Bank	9 %
■ Charterhouse Japhet	9 %	Volkskas Intnl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9 %
Citibank Savings ¶	10½%	Whiteaway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	9½%	Wintrust Secs. Ltd.	9 %
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9 %		
Co-operative Bank *	9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1-month 5.75%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
§ 21-day deposits over £1,000 6½%.
¶ Demand deposits 5½%.
¶ Mortgage base rate.
□ Money Market Cheque Account—8.75%. Effective annual rate—8.11%.

CONTRACTS & TENDERS

ART GALLERIES

CLUBS

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday November 22 1983

Pru produces timely AT&T-linked Eurobond package, Page 38

WALL STREET

A debut day celebrated with vigour

EXCITEMENT flavoured an historic trading session on Wall Street yesterday as the 1.65bn securities of the newly-shaped American Telephone and Telegraph (AT&T) and its seven new operating companies came to the floor of the New York Stock Exchange for the first time, *writes Terry Byland in New York.*

There was heavy turnover in the new AT&T stock, but trading in stocks of the new companies was more moderate. Investors appeared to have a "wait and see" policy towards trading prospects for the new companies.

Although attention was focussed around the AT&T trading desks, the rest of the stock market was in excellent form, responding to Friday's news that money supply remains within the growth target range of the Federal Reserve.

The Dow Jones industrial average was 17.78 up at 1,268.80 at the close.

The new AT & T bounded away from the starting post when a single block of 1.6m shares was traded at $19, which was at the higher range of market predictions. By noon, 3.3m shares in the new telephone parent had been traded and the price had settled to $18.

Stock in the old company, which will continue to trade until February, was also busy, gaining $⅛ to $63¾ on turnover of 1.6m shares at midsession.

The seven new operating groups traded within the range of market expectations, recording turnover of around 200,000 shares each by midsession.

The most favoured was Bell Atlantic, which will incorporate the former New Jersey Bell, Bell of Pennsylvania and other former Bell companies from the East Coast Atlantic area. Stock in Atlantic moved up from an opening $65¾ to $69¾, on turnover of about 260,000 shares. Atlantic has appeared the most aggressive of the new companies in its views of prospects for diversification into new business areas.

The other newcomers gave Wall Street few surprises. Ameritch traded at $64⅜ against an opening $63½, Bell South at $88¾ against $84-$86, Nynex at $61⅜ against $61-$62, Pacific Telesis at $54¾ against $51½, Southwestern Bell at $61 against $60-$61 and U.S. West at $57½ against $55-$56.

Trading in the new securities – 950m shares in the new AT&T and nearly 700m in the new regional groups – was on a "when issued" basis, conducted by seven specialist market-making firms on the NYSE. No cash or stock certificates will change hands until February, when the old stock in AT&T will finally be replaced by the new issues.

Stock market confidence, strengthened over the weekend by favourable comment in the investmant press on the progress of the U.S. economy, drew further support from yesterday's disclosure of a sharp rise in U.S. personal incomes during October.

The market blue chips advanced briskly. IBM at $124¾ added $1¼, Honeywell added $2¾ to $132½. Ford $1⅜ to $60⅝, General Motors $½ to $77 and General Electric, $1 to $56½.

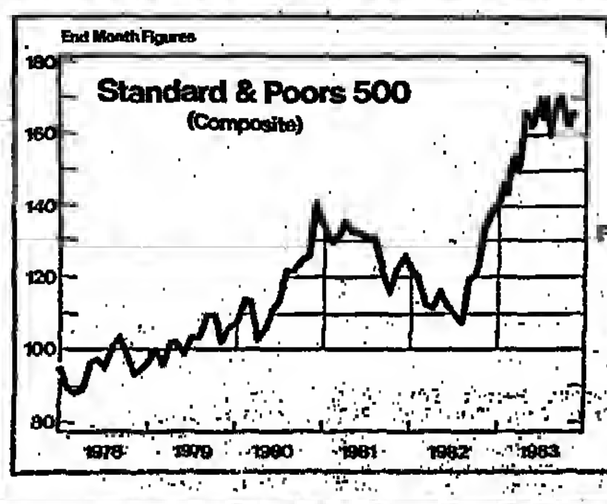
The store sector had toys R Us $1¼ higher at $43 and Dayton Hudson $⅜ up at $35⅜.

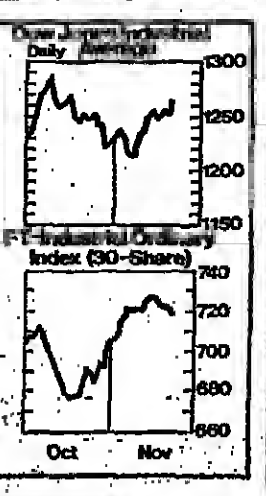
Du Pont added $⅞ to $53 after the board announced an increase in the dividend. Another feature was Gulf and Western, which jumped $1¼ to $28½ on the announcement that it will buy in 10m of its own stock.

Federal funds continued to trade at 9¼ per cent, somewhat higher than Friday's average, but the market was not unduly impressed when the Federal Reserve intervened with $2bn in customer repurchases at this level. Later funds edged down to 9⅛.

The long bond remained at 102¾₂, little changed from Friday's late quotations and yielding 11.74 per cent. Treasury Bills also remained around Friday's levels, with the three-month bill discount at 8.98 per cent and the six-month bill below 9 per cent against 8.98 per cent.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Nov 21	Previous	Year ago
DJ Industrials	1268.80	1251.02	1021.25
DJ Transport	605.89*	606.04	433.15
DJ Utilities	136.56*	137.33	119.37
S&P Composite	165.47*	165.09	137.02
LONDON			
FT Ind Ord	718.8	721.4	617.9
FT-A All-share	451.95	452.18	394.84
FT-A 500	484.76	484.95	429.23
FT-A Ind	444.55	444.9	403.85
FT Gold mines	477.8	496.3	405.2
FT Govt secs	83.25	83.15	81.1
TOKYO			
Nikkei-Dow	9409.78	9386.68	7854.92
Tokyo SE	690.27	689.37	575.5
AUSTRALIA			
All Ord.	718.1	714.9	503.0
Metals & Mins.	511.0	513.2	417.6
AUSTRIA			
Credit Aktien	54.27	54.31	47.59
BELGIUM			
Belgian SE	126.38	127.11	98.3
CANADA			
Toronto Composite	2449.80*	2453.1	1839.2
Montreal Industrials	431.91*	432.23	322.8
Combined	416.51*	417.12	311.62
DENMARK			
Copenhagen SE	197.61	199.19	90.74
FRANCE			
CAC Gen	144.8	144.8	100.0
Ind. Tendance	154.9	154.6	121.0
WEST GERMANY			
FAZ-Aktien	336.8	338.95	239.58
Commerzbank	999.5	1009.8	727.4
HONG KONG			
Hang Seng	837.16	866.49	820.05
ITALY			
Banca Comm.	190.91	191.73	164.92
NETHERLANDS			
ANP-CBS Gen	139.3	139.2	98.8
ANP-CBS Ind	112.5	112.6	76.8
NORWAY			
Oslo SE	192.89	193.09	100.93
SINGAPORE			
Straits Times	955.88	954.94	749.17
SOUTH AFRICA			
Golds	713.3	731.9	672.9
Industrials	894.9	902.0	885.9
SPAIN			
Madrid SE	closed	127.17	104.24
SWEDEN			
J&P	1473.23	1458.02	825.82
SWITZERLAND			
Swiss Bank Ind	353.9	355.0	267.7
WORLD	Nov 18	Prev	Yr ago
Capital Int'l	179.6	180.5	147.6

GOLD (per ounce)

	Nov 21	Prev
London	$374.625	$376.125
Frankfurt	$374.25	$376.25
Zürich	$374.50	$375.50
Paris (fixing)	$374.28	$376.49
Luxembourg (fixing)	$375.25	$376.75
New York (Nov)	$376.10	$374.30

* Indicates latest pre-close figure

CURRENCIES

(London)	U.S. DOLLAR Nov 21	Previous	STERLING Nov 21	Previous
$	—	—	1.464	1.47
DM	2.7045	2.706	3.98	3.98
Yen	235.5	236.1	344.75	347.25
FFr	8.2275	8.2275	12.0375	12.0925
SwFr	2.187	2.1875	3.2025	3.2175
Guilder	3.031	3.028	4.4375	4.4525
Lira	1636	1635	2394	2403
BFr	54.94	54.95	80.4	80.75
C$	1.23825	1.23775	1.8125	1.8195

INTEREST RATES

Euro-currencies (offered rate)	Nov 21	Prev
£	9⅝	9⅝
SwFr	4⅜	4¼
DM	6⅝	6⅝
FFr	13¼	13¼
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 15/16	10
6-month U.S.$	10	10¼
U.S. Fed Funds	9⅝*	9¾
U.S. 3-month CDs	9.55*	9.75
U.S. 3-month T-bills	8.76*	8.82

U.S. BONDS

Treasury	Nov 21 Price	Yield	Prev Price	Yield
10½ 1985	99 25/32	10.58*	99 27/32	10.56
11⅞ 1990	99 29/32	11.57*	99 29/32	11.57
11¾ 1993	100 1/32	11.65*	100 1/32	11.65
12 2013	102 3/32	11.74*	102 3/32	11.74
Corporate				
AT&T				
10⅜ June 1990	93⅞	11.80*	93.43	11.85
3⅝ July 1990	67⅞	10.85*	67⅞	11.80
8⅝ May 2000	75⅛	12.15*	76⅛	12.10
Xerox				
10⅞ March 1993	91⅞	12.10*	91⅞	12.10
Diamond Shamrock				
10⅞ May 1993	90½	12.35*	90¼	12.40
Federated Dept Stores				
10⅞ May 2013	86⅞	12.35*	85⅞	12.45
Abbot Lab				
11.80 Feb 2013	95⅞	12.35*	94⅞	12.45
Alcoa				
12¼ Dec 2012	95⅞	12.85*	94⅞	12.95

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
December	71-05	71-07	70-27	70-24
U.S. Treasury Bills (IMM) $1m points of 100%				
December	91.10	91.11	91.01	91.02
Certificates of Deposit (IMM) $1m points of 100%				
December	90.48	90.49	90.40	90.38
LONDON				
Three-month Eurodollar $1m points of 100%				
December	90.21	90.23	90.19	90.18
20-year Notional Gilt £50,000 32nds of 100%				
December	110-06	110-08	109-19	109-17

COMMODITIES

(London)	Nov 21	Prev
Silver (spot fixing)	571.15p	582.05p
Copper (cash)	£944.00	£940.50
Coffee (Nov)	£1824.00	£1893.50
Oil (spot Arabian light)	$28.05	$28.02

LONDON

Blue chips largely in background

THE SECOND and final leg of the current London trading account began in subdued fashion yesterday. Blue chip shares were largely ignored, and the FT Industrial Ordinary index closed 2.6 lower at 718.16, the day's lowest.

Gilt-edged securities traded quietly with a bias to higher levels. Moderate buying interest left longer-dated stocks showing gains to ⅝, while shorter maturities closed mixed.

Stockjobber Akroyd & Smithers, suspended last week at 585p, ended at 530p as speculators moved out following terms for the stake to be taken by Mercury Securities, 5p up at 475p.

South African gold shares receded on lack of buying interest. Falls among the heavyweights ranged to nearly £2, and the FT Gold Mines index closed 18.5 down at 477.8.

Details, Page 31; Share information service, Pages 32–33

HONG KONG

A DECLINE persisted throughout the day during light Hong Kong trading. The Hang Seng index closed 29.31 points lower at 837.16 after falling 10 points during one hour of the session.

Profit-taking and the strength of the U.S. dollar against the local unit combined to erode investor confidence, already sagging under political uncertainty.

Among key stocks, Cheung Kong dropped 35 cents to HK$6.80, China Light 60 cents to HK$13.70 and Hongkong Bank 10 cents to HK$7.

SINGAPORE

THE WEEKEND failure of the Malaysian authorities to resolve a constitutional deadlock between parliament and the sultans distressed Singapore, which had risen on Friday in the expectation of a settlement.

Some buying support remained, though, and price changes were small. The Straits Times index managed to firm 0.94 to 955.88.

AUSTRALIA

LEADING SYDNEY industrial stocks continued to firm, although advances were smaller than those recorded on several days last week. The All Ordinaries index finished 3.2 higher at 718.1 and the all industrials index rose 6.3 to a record 933.5.

Market leader BHP reached a five-year high of A$13.20 before easing to close 10 cents higher at A$13.15. Bank shares were again in demand. ANZ, following a 9.7 per cent annual profit increase and news of a one-for-ten scrip issue, improved 6 cents to A$6.10 while Westpac was up 12 cents at A$3.89.

SOUTH AFRICA

GOLDS had another bad day in Johannesburg as bullion remained well below $380. With the rand also weakening against the dollar, the gloom spilled over to other sectors.

Cheaper-priced gold stocks shed as much as 10 per cent of their market value: Loraine was 55 cents down at R5.20 and Village 15 cents at R1.30. The more widely held heavyweights showed losses ranging to R3.50 for Hartebeest at R70.50.

Sasol, the oil-from-coal producer, fell another 15 cents to match the price of its pending rights issue at R4.15.

CANADA

WEAKNESS in resource issues edged Toronto slightly lower yesterday. Golds suffered heavy losses, while oil and gas stocks proved to be more resilient than most base metal shares.

In **Montreal**, banks and utilities were weak while industrials and papers managed to record scattered advances.

TOKYO

Scattered incentives identified

SELLERS generally stayed away from the Tokyo market yesterday in the absence of any strong motivation – a common phenomenon for the beginning of the week – but selective buying of incentive-backed issues persisted, with interest centring on high-priced issues like Fanuc and Honda Motor, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average improved 21.95 points to 9,409.78, again leaving it above the 9,400 level on extremely light volume of 183.42m shares, compared with 307.19m last Friday.

Securities firms and investors alike were hunting for shares that might come to the fore in December and beyond in anticipation of a surge in stock prices from late this year through to early next year. In the absence of sellers, small-lot buying of incentive-backed issues continued, pushing the stock price average higher.

Honda, the day's volume leader, benefiting from buying of about 500,000 shares by Hong Kong investors, jumped Y50 to a high of Y1,070 for this year on heavy volume of 8.15m shares. Other vehicle issues also gained, with Toyota adding Y20 to Y1,330 and Nissan Y12 to Y712.

Oki Electric attracted heavy buying on renewed strong demand for push-button telephones, gaining Y6 to Y782. Asahi Optical, reported to have decided to start selling artificial dental roots made of synthetic apatite in spring, soared Y23 to Y568. Canon and Ricoh also firmed.

Elsewhere, Matsushita group stocks generally moved higher with Matsushita Electric Industrial adding Y20 to Y1,750 and Matsushita-Kotobuki Y80 to Y4,000. But some other quality issues lacked strength, with Hitachi skidding Y8 to Y842 and Fujitsu Y30 to Y1,300.

Some high-priced issues advanced on small-lot speculative buying, with Fanuc climbing Y80 to Y8,700. A consensus view in the market was that a considerable time would be required before stock prices begin a full-fledged advance under the lead of blue chips.

The bond market withstood investor nervousness about the weakness of the yen against the U.S. dollar. The yield on the bellwether 7.5 per cent government bonds maturing in January 1993 fell sharply to 7.625 per cent from 7.65 per cent last Friday on persistent speculative purchases by securities companies.

This came in response to an improvement in the supply-demand position due to a smaller volume of sales by city banks. Regional banks increased selling somewhat on lower yields, but the impact on the market proved insignificant.

EUROPE

Frankfurt switched off by Siemens

THE WEEK began on a cautious note on the European bourses, with most centres recording slight price downturns yesterday in thin volume. Sellers were most prominent in Frankfurt, where the Commerzbank index slipped below the 1000-point barrier to close at 999.5.

The strength of the U.S. dollar and continuing doubt about the direction of domestic interest rates formed the ground for a broad retreat among leading banking, electrical and automotive stocks there.

Disappointment with annual results from Siemens, the major electrical group, served to cast further uncertainty across the market. The group's share price fell DM 8.20 to DM 381.50, although the loss was registered on relatively light turnover.

BMW led the automotive issues down further from the record levels reached at the end of last month. It closed DM 9.20 down at DM 416.80, while Daimler shed DM 5 to DM 883 and VW DM 7.10 to DM 216.20.

The banking sector was again depressed, with Commerzbank DM 1.40 lower at DM 163, Dresdner DM 2 down at DM 164.70 and Deutsche DM 3.40 off at DM 306.60.

In a largely bullish study on the long-term prospects of the West German stock market, Deutsche Bank yesterday attributed the market's recent downturn merely to a technical reaction to October's record levels. The bank says the upward trend is unmistakable and is supported by rises in industrial output and easing inflation.

Amsterdam prices were mixed with attention focused on insurance groups Amfas and Nat Ned after the announcement of merger talks. Nat Ned eased Fl 2 to Fl 178, while the suspension of trading in Amfas shares enforced on Friday remained.

Weakness in **Brussels** centred on industrial and financial holding companies. Disappointment at inconclusive talks between the state-controlled Cockerill Sambre and the Luxembourg steel group Arbed pushed Cockerill BFr 14 lower to BFr 162. Arbed slipped Fl 44 to Fl 1,1160.

During a featureless **Paris** session, prices drifted in low turnover. Adding to the market's general weakness was a move by operators to begin adjusting positions ahead of the new monthly trading account which opens tomorrow.

A rush of encouraging domestic financial news buoyed **Stockholm**. Lively trading in several companies due to report interim results dominated trading and underpinned the market's strength. A large transaction in a Swedish investment company was reported to have bolstered the value of turnover to SKr 310m.

A listless session of trading in **Zurich** left most stocks steady. The Credit Suisse index was one point lower at 295.1. Insurance groups were generally firmer, with Swiss reinsurance up SwFr 30 to SwFr 3,350 and Winterthur up SwFr 20 to SwFr 3,320.

A string of strong **Milan** sessions ended when demand became highly selective. In light trading many blue chip stocks lost ground. Fiat shed L41 to L3,049 and Italcementi L150 at L44,850.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	9¼	AAR	.44	3.1	18	13	14⅛	14	14⅛	
52½	25½	ACF	1.40	2.7	243	178	51⅜	50⅞	51	−⅛
18⅞	14⅝	AMF	.50	3.1		1043	16⅜	16⅛	16⅛	
38½	17⅞	AMR Cp			17	8140	u39⅛	37⅞	38	−⅝
19½	15	AMR	pf2.18	11		34	19	19	19	
39⅛	24⅞	AMR	pf2.13	5.4		210	u40⅛	39⅛	39⅛	−⅛
15⅛	3⅛	APL			19	213	12½	12	12½	+⅜
56	31¼	ARA	2.05	4.0	11	72	51⅛	51⅛	51⅛	
79⅞	50⅛	ASA	3a	5.8		225	51⅞	51⅛	51⅛	−⅛
33⅛	14	AVX	s .32	1.2	41	45	27⅛	27	27	
53⅛	34⅛	AbtLab	1	2.1	17	2134	47⅛	46⅛	46⅞	
30⅛	23⅛	AccoW	n .60	2.2	30	334	27	26½	27	+⅛
27½	16¼	AcmeC	.40	1.7		122	24⅛	23⅞	24	+⅛
14⅛	7⅝	AcmeE	.32b	3.1	513	4	10⅛	10⅛	10⅛	
24⅞	9⅛	AdmDg	.04	.2	17	58	22½	21⅛	21⅛	−½
18⅞	15	AdaEx	1.73e	9.5		65	18⅛	17⅞	18⅛	+⅛
19⅛	7⅛	AdmMl	.24	1.5	9	120	16⅜	15⅝	15⅝	−⅛
16⅛	9⅛	Advest	.12	.8	9	256	14⅝	13⅞	14⅛	+⅛
34⅞	10⅞	AMD	s		58	2903	34¼	33⅞	34⅛	+⅝
24⅝	12⅞	Aerflx	s		16	80	16¼	15½	15⅝	+⅛
43½	32⅞	AetnLf	2.64	7.2	9	3618	36⅞	34½	36½	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

12 Month High	12 Month Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25	16⅞	Aza	1.15	6.2	44	167	18½	17⅞	18½	+1
62½	33⅞	Avdin			13	294	40⅞	40⅛	40⅞	+⅛
		B-B-B								
27⅞	17⅞	BMC	n .40	2.1	12	212	19⅛	18⅛	19⅛	+⅛
39½	20⅞	Bairnco	.60	1.5	11	79	39⅛	38	39⅛	+1
26⅞	16	BkrInd	.92	5.0		1652	18⅜	18⅛	18½	−⅛
27⅞	20	Baldor	.32	1.2	24	18	27⅛	27	27⅛	−⅛
49½	2⅛	BaldwU	.22t			704	3	2⅞	2⅞	−⅛
145	7⅛	BldU	pf.52k			31	10⅞	10⅞	10⅛	+⅛
36⅛	23⅛	BallCo	1.18	3.9	9	111	31⅞	29⅞	30	−1⅞
28⅛	19⅞	BallyMf	.20	1.0	21	1639	21⅛	20⅞	21	−⅛
26⅞	6⅛	BallyPk			19	60	15½	15⅛	15⅛	+⅛
34⅛	27⅞	BaltGE	3	9.0	7	1361	33⅞	33⅛	33⅛	−⅛
31⅛	20⅛	BnOne	n .96	3.4	11	85	28⅞	d28	28	−½
47½	19½	BanCal	1.20	2.6	8	32	45⅞	45⅞	45⅞	
7⅞	5½	BanTex	.20	3.6	40	330	5⅞	5⅞	5⅞	−⅛
59½	36⅞	Bandag	1	1.7	15	79	u59⅛	58⅛	58½	−1
23⅞	16⅛	BangP	.80	4.2		65	19⅞	18⅛	18⅞	+⅛
47⅞	32⅞	BkBos	2.12	5.1	5	99	41⅞	41⅛	41⅛	−½
54½	43⅛	BkNE	dpf5.09e	8.9		20	51½	51½	51½	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

NEW YORK CLOSING PRICES

Continued from Page 29

CANADA

DENMARK

NETHERLANDS

AUSTRALIA

JAPAN (continued)

FRANCE

NORWAY

SPAIN

HONG KONG

GERMANY

SWEDEN

SINGAPORE

SOUTH AFRICA

AUSTRIA

BELGIUM/LUXEMBOURG

Nov. 21	Price Frs.	+ or −
Petrofina	3,310	−30
Royale Belge	3,900	....
Soc. Gen. Banq.	2,755	−40
Soc. Gen. Belge	1,670	+10
Sofina	4,990	−15
Solvay	3,310	−30
Tractionel	3,050	−45
UCB	3,970	−15
Vieille Mont	3,500	+70

ITALY

Nov. 21	Price Lire	+ or −
Invest	2,990	−20
Italcementi	44,860	−150
Montedison	209.5	−2.1
Olivetti	3,545	−30
Pirelli Co.	2,640	−36
Pirelli Spa	1,447	−3
Snia BPD	1,238	−13
Toro Assic.	11,080	−70
do. Pref.	2,160	−20

SWITZERLAND

Nov. 21	Price Frs.	+ or −
Sandoz (PtCts)	1,145	−5
Schindler (PtCts)	410	....
Swissair	913	+3
Swiss Bank	299	−1
Swiss Reinsce.	7,410	+10
Swiss Volksbk.	1,400	−10
Union Bank	3,300	+10
Winterthur	2,215	+15
Zurich Ins.	17,450	....

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK-DOW JONES

	Nov 21	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1258.8	1251.82	1254.87	1251.32	1247.97	1254.87	1272.16 (7/10)	174.39 (11/8)	1272.15 (7/10/83)	41.22 (2/7/32)
Transport	600.4	600.04	599.96	598.28	598.6	601.55	606.04 (18/11)	434.24 (3/1)	606.04 (18/11/83)	12.23 (8/7/32)
Utilities	136.71	137.33	138.1	138.49	136.96	136.90	140.7 (31/10)	119.46 (3/1)	163.32 (20/4/69)	10.86 (28/4/42)
Trading vol 10000's†	9795	8825	8874	8338	7784	8688	–	–	–	–

	Nov 11	Nov 4	Oct 28	(Year Ago Approx)
Ind div yield %	4.46	4.58	4.55	6.21

STANDARD AND POORS

	Nov 21	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	188.72	185.56	188.97	186.87	186.17	187.56	193.22 (22/8)	154.95 (3/1)	193.22 (22/8/83)	3.52 (30/6/32)
Composite	166.85	165.99	166.12	166.88	165.36	166.58	170.99 (22/8)	138.34 (3/1)	170.99 (22/8/83)	4.4 (1/6/32)

	Nov 16	Nov 9	Nov 2	Year Ago (Approx)
Ind div yield %	3.87	4.31	3.89	4.63
Ind. P/E Ratio	14.37	14.13	14.24	10.12
Long Gov Bond Yield	11.81	11.76	11.88	10.41

N.Y.S.E. ALL COMMON

Nov 21	Nov 18	Nov 17	Nov 16	1983 High	1983 Low
–	–	–	–	442.82 (8/5)	79.79 (24/1)

RISES AND FALLS

	Nov 21	Nov 18	Nov 17
Issues traded	1987	1982	1964
Rises	886	748	858
Falls	689	823	687
Unchanged	411	413	489

MONTREAL

	Nov 21	Nov 18	Nov 17	Nov 16	1983 High	1983 Low
Industrials	433.46	432.23	433.7	431.82	493.00 (6/5)	329.12 (4/1)
Combined	417.38	417.12	418.66	416.82	441.29 (20/9)	319.4 (5/1)
TORONTO Composite	2451.6	2453.1	2463.1	2454.9	2598.2 (20/9)	1948.9 (4/1)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	Nov. 21	Nov. 18	Nov. 17	Nov. 16	1983 High	1983 Low
AUSTRALIA						
All Ord. (1/1/80)	719.1	714.8	710.1	716.8	756.7 (12/9)	487.8 (4/1)
Metals & Minls. (1/1/80)	611.0	615.2	612.7	614.8	614.2 (5/9)	411.0 (4/1)
AUSTRIA						
Credit Aktien (2/1/62)	54.27	54.51	54.61	54.26	58.8 (5/5)	48.48 (15/2)
BELGIUM						
Belgian SE (31/12/63)	126.38	127.11	127.90	128.55	134.48 (1/8)	100.50 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	197.81	199.19	198.58	194.34	204.22 (16/9)	100.00 (3/1)
FRANCE						
CAC General (31/12/82)	144.8	144.8	144.5	145.0	144.8 (15/11)	96.1 (5/1)
Ind Tendance (31/12/82)	154.3	154.6	155.2	155.4	166.4 (16/11)	98.0 (5/1)
GERMANY						
FAZ-Aktien (31/12/58)	336.90	338.06	345.53	(c)	345.53 (17/11)	241.88 (25/1)
Commerzbank (Dec 1953)	999.5	1008.50	1021.3	(c)	1021.3 (17/11)	727.8 (25/1)
HONG KONG						
Hang Seng Bank (31/7/64)	837.18	868.49	882.28	884.58	1102.54 (21/7)	690.06 (4/10)
ITALY						
Banca Comm Ital. (1972)	190.91	181.75	188.97	187.17	214.35 (21/3)	160.45 (18/7)
JAPAN**						
Nikkei-Dow (16/5/49)	9409.78	9586.69	9418.99	9430.81	9595.25 (12/10)	7803.10 (25/1)
Tokyo SE New (4/1/68)	690.27	693.57	690.79	691.45	703.90 (7/10)	674.51 (25/1)
NETHERLANDS						
ANP-CBS General (1970)	139.3	139.2	139.1	139.2	144.6 (11/10)	100.1 (4/1)
ANP-CBS Indust (1970)	112.6	112.8	112.3	112.0	118.4 (10/10)	85.6 (4/1)
NORWAY						
Oslo SE (4/1/83)	182.89	183.89	186.62	185.96	217.38 (10/10)	99.61 (4/1)
SINGAPORE						
Straits Times (1966)	955.96	954.94	945.14	957.61	992.62 (25/8)	712.29 (3/1)
SOUTH AFRICA						
Gold (1958)	(u)	—	751.9	765.7	1089.2 (1/2)	661.4 (1/11)
Industrial (1958)	(u)	—	902.0	906.9	959.7 (28/6)	784.9 (5/1)
SPAIN						
Madrid SE (31/12/82)	(c)	127.17	127.95	127.28	128.14 (10/11)	99.52 (11/1)
SWEDEN						
Jacobson & P. (1/1/58)	1475.28	1463.02	1458.41	1457.70	1628.69 (8.8)	898.16 (6/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	353.9	355.8	356.1	350.5	355.8 (5/11)	294.4 (4/1)
WORLD						
Capital Intl. (1/1/70)	—	179.6	180.5	181.0	185.8 (18/10)	154.3 (3/1)

(**) Saturday Nov. 19: Japan Nikkei-Dow (9387.83). TSE [illegible].

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrial. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

مكتبة سند الأحوال

LONDON STOCK EXCHANGE

MARKET REPORT

Special situations provide features in subdued trading

Index 2.6 off at 718.8—Golds fall

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 14	Nov 24	Nov 25	Dec 5
Nov 28	Dec 8	Dec 9	Dec 19
Dec 12	Dec 22	Dec 23	Jan 9

* "New-time" dealings may take place from 9.30 am two business days earlier.

London stock markets began the second and final leg of the trading Account in subdued fashion yesterday. Blue chip shares were largely ignored and it was again left to special situations and companies reporting trading statements to provide the main interest in equities. Gilt-edged securities traded quietly with a bias to higher levels, but South African gold shares were in retreat again.

Early-afternoon publication of the keenly-awaited terms at which Mercury Securities is to acquire a 29.9 per cent stake in stockjobbers Akroyd and Smithers created much discussion and activity on the "House" floor and prompted sharp fluctuations in the shares.

Dealings were resumed in Akroyd at 590p compared with the suspension price of 585p, but the price dropped quickly to 510p on the liquidation of speculative positions before closing at 530p. Mercury Securities followed a similar pattern; supported up to 480p initially, the shares touched 450p following the statement and ended at 475p for an improvement of 5 on the day. Stockjobbing concern Smith Bros, particularly strong of late in sympathy with Akroyd, encountered profit-taking and lost 6 to 77p, after 75p.

Elsewhere, P & O Deferred, down 9 at 248p, became unsettled by a weekend Press suggestion that Trafalgar House may drop their £300m bid for the company. The apathetic conditions among other market leaders was well illustrated by the Financial Times Industrial Ordinary share index; this opened with a rise of 0.7 at 10.00 am, showed a fall of a point at noon and closed 2.6 down at 718.8, the day's lowest.

The gilt-edged market took on a firmer stance on the Chancellor's optimistic inflation forecast and the better-than-expected U.S. money supply figures. Sentiment also benefited on hopes that heavy coupon payments due over the next few days will find their way back into the market. A moderate buying interest left longer-dated stocks showing gains to ¼, while shorter maturities closed mixed. The announcement of the issue of £500m 2½ per cent Exchequer 1986, at a minimum tender price of £84¼ had no apparent effect in the after-hours' trade.

South African gold shares receded on lack of buying interest. Falls among the heavyweights ranged to nearly £2, and the FT Gold Mines index closed 18.5 down at 477.8.

Expectations of increased Sino / British co-operation coupled with weekend Press comment directed interest towards Chinese bonds, and the 5 per cent 1925 Boxer issue rose two points to £9¼.

Weekend Press speculation concerning a possible bid from BAT Industries prompted early strength in Royal Bank of Scotland, which touched 154p before closing a couple of pence dearer on balance at 150p. Up 62 last week, Bank of Scotland continued to attract speculative buyers and, in a thin market, added 5 more to 612p, after 615p. Merchant banks were inclined higher in places with Brown Shipley, 325p, and Hill Samuel, 293p, notable for gains of 10 and 6 respectively. The clearers, on the other hand, lacked support and drifted lower. Barclays gave up 4 to 483p, as did Lloyds, to 523p.

As the Insurance market awaited the next move in the Eagle Star/BAT Industries/Allianz bid situation, Phoenix attracted renewed speculative support on revived U.S. takeover hopes and closed 3 better at 393p, after touching 400p. Eagle Star ended a few pence off at 650p, after 660p.

Protimeter, manufacturers of moisture measuring equipment, started life quietly in the Unlisted Securities Market and settled at 28p compared with the placing price of 26½p. The sector's main feature was V. W. Thermax which, reflecting a newsletter recommendation, advanced strongly to close 8 up at 130p, after 131p. Following recent dullness, Tottenham Hotspur rallied 4 to 95p.

Increasing optimism that the recently reintroduced Johnnie Walker Red Label scotch whisky could regain a sizeable share of the domestic market inspired further support of Distillers, 5 better at 236p. Present market leader Arthur Bell attracted scattered seasonal interest and added 3 at 140p. Breweries, on the other hand, failed to hold early advances. Bass, up to 313p at one stage, reverted to unchanged at 310p. Scottish and Newcastle held at 92p; revived speculation of a possible bid from Mr Jimmy Gulliver's Argyll Group received scant credence in the market.

Building descriptions traded thinly but Constructions made limited headway with Taylor Woodrow, 555p, Costain, 230p, and Pochins, 215p, all gaining around 5. A suggestion that Hanson Trust might be planning a disposal of London Brick shares lowered the former 3 to 98p. Similarly easier were Edward Jones, 46p, and F. C. Lilley, at a low for the year of 78p. On a brighter note, Wimpey improved a couple of pence to 142p and Trent 3 more to 72p, both on investment comment. For an identical reason, Russell Bros (Paddington) moved up 7 to 140p.

Amersham remained unsettled awaiting today's interim results and closed 5 down at 230p, but market leader ICI put on 4 to 604p.

Comet volatile

The bullish tenor of the latest CBI/FT survey of the distributive trades, predicting continued high levels of consumer spending, prompted early firmness among leading Stores; the absence of follow-through support, however, reduced most gains to about a penny. W. H. Smith "A", 140p earlier, closed a net 2 cheaper at 136p. Burton held at 372p awaiting today's annual results which are expected to reveal pre-tax profits around the £40m mark.

Comet advanced to 330p in immediate response to the increased full-year profits and dividend and 100 per cent scrip, but eased steadily on a closer examination of the accompanying statement and closed 2 cheaper on balance at 313p. A "buy" recommendation lifted Harris Queensway a couple of pence to 292p, after 294p, with MFI, 152p, and House Charm, 154p, gaining 3 and 4 respectively. A rare dull spot was provided by Alfred Preedy, which reacted on profit-taking and, at 74p, gave up 10 of Friday's advance of 13; the interim results are due early next month.

An encouraging Press report directed selective support towards Stores. Stead and Simpson stood out with a gain of 7 at 95p, while FII, additionally helped by a newsletter recommendation, rose 4 more in a thin market to 138p.

Lack of support and occasional offerings made for dullness in the Electrical leaders. GEC closing 6 off at 190p and Plessey a couple of pence cheaper at 206p. Philips Lamp, in contrast, rallied 45 to 835p, after the recent setback following the third-quarter figures. Elsewhere, Atlantic Computers continued to attract buyers and put on 12 more to 380p, while MK Electric, reflecting satisfactory interim results, improved 7 to 300p. Weekend Press mention left Multitone Electronics 5 higher at 157p and Grosvenor a similar amount up at 157p.

With the exception of Hawker, which hardened a couple of pence to 326p, Engineering majors drifted lower for want of support. TI relinquished 4 to 142p and GKN softened a couple of pence to 164p. Secondary issues plotted an irregular course in thin trading. Country support lifted Benjamin Priest 3 to 25p and left Castings 2 better at 42p, while Concentric closed a penny higher at 48p following the results. Capper-Neill hardened the same amount at 14p but S. W. Farmer lost 6 to 114p and Vosper declined 8 to 207p.

Tate and Lyle tempted profit-takers after last week's sharp advance and closed 8 down at 396p. Selling of a similar nature lowered Patterson Jenks 3 to 177p, but Cavenham picked up 2 more at 89p; the latter's annual results are to be announced on December 9. Elsewhere, Fortnum Development were again firm among smaller-priced stocks, British Vending improved 2 to 24p.

Hotels were virtually untested with the exception of Epicure, which moved up 1½ to a 1983 high of 39p.

Wolv. Steam jump

Leading miscellaneous industrials ended with a mixed appearance. Metal Box traded firmly at 280p, up 10, awaiting today's half-year figures, while [illegible], in front of interim results on Thursday, hardened a penny to 161p. Bowater, in contrast, reacted 6 to 220p, while Beecham closed 5 cheaper at 320p. Elsewhere, Wolverhampton Steam Laundry jumped 40 to 180p on the announcement that Messrs Rosen and Marmor had acquired a 29.4 per cent holding in the company. A poor market last week on political and competition fears, Polly Peck rallied 3½ to £26, with Cornell regaining 20 to 220p and Wearwell 5 to 75p.

Press mention left British Aerospace 3 dearer at 206p, while Francis Industries improved 4 to 65p on the announcement that Suter had increased its holding in the company to 23.39 per cent. Following weekend comment, British Syphon improved 3 to 57p and Centreway a penny to 55p. Renewed demand left Gestetner A 3 firmer at 61p and Reed Executive 4 dearer at 53p. Smiths Industries edged up 5 to a peak for the year of 440p and similar improvements were recorded in Amber Industrial, 80p, Carlton Industries, 150p, and Extel, 355p, the last-named awaiting Thursday's interim statement. Speculative demand lifted Whitecroft 9 to 157p. Applied Computer encountered profit-taking and fell 13 to 475p, while Initial closed a shade cheaper at 477p despite the increased interim dividend and profits.

Saga Holidays encountered support ahead of Friday's preliminary figures, gaining 2 to 107p, but Miss World drifted back 3 further to 155p. TSW were firm in TV issues, closing 2 higher at 23½p.

Trust Secs. higher

Several Property leaders attained fresh highs for the year, including MEPC, 3 better at 253p, and Stock Conversion, the same amount higher at 325p. Away from first-line stocks, Trust Securities bettered Friday's performance by rising to 54p before finishing a net 5 up at 49p despite Press warnings about speculation at this stage.

Suggestions that Trafalgar House will abandon its bid even if it is allowed by the Monopolies Commission left P & O Deferred 9 cheaper at 248p. In contrast, Press-inspired prospects of a flotation of Overseas Containers prompted further support of Ocean Transport, which added a couple of pence at 115p, after 116p. Talk of a 120p per share bid failed to inspire much excitement in Walter Runciman, which hardened 2 at 99p, after 101p.

Special situations again prompted some useful gains among Textiles. Easier last Friday following confirmation that Hong Kong Carpet Manufacturers has disposed of its 20 per cent holding, Carpets International rallied a couple of pence to 83p on hopes of a closer liaison with its former U.S. associate Interface Flooring Systems. Tomkinsons, scheduled to announce preliminary results next Friday, advanced 10 at 175p, while sporadic speculative support lifted Textured Jersey 5 to 82p, and Allied 4 to 256p.

Press comment highlighting the company's growth potential helped Imps to improve 4 more at 136p. Rothmans held unchanged at 117p ahead of tomorrow's interim statement.

Leading Oils remained subdued, but quotations picked up to close little altered on balance after initial dullness. Current take-over favourite Burmah improved afresh at 176p before settling only a penny harder on the day at 710p, while Tricentrol finished a couple of pence up at 182p. Eglinton, up 45p at 215p, and Bryson, 25 higher at 190p, turned steadier after last week's sharp setback on the suspension of drilling at the San Sebastian number 3 well in Colombia. In contrast, Atlantic Resources fell 20 to 170p and Sun (UK) Royalty ended similarly cheaper at 265p.

The continued buoyancy of soft commodities, as exemplified by another strong performance in tea prices at yesterday's London auction, stimulated selective firming among Plantations. Rowe Evans were again to the fore with sentiment helped by a broker's circular and touched a 1983 peak of 67p before closing a net 4 dearer at 65p. James Finlay rose 5 to 134p, while McLeod Russel, relatively dull recently, rallied a few pence to 203p.

Golds under pressure

Mining markets made a poor start to the week. Gold and gold-related issues fell sharply as bullion eased $1.50 to $374.625 an ounce following renewed strength in the dollar.

The sharemarket opened lower, in line with bullion, came under persistent selling pressure from Johannesburg sources and then staged a minor rally which left the majority of stocks a fraction above the day's lowest levels. The Gold Mines index retreated 18.5 to 477.8.

The Anglo American group gold mines in the Orange Free State attracted heavy selling with new lows for 1983 common to Free State Geduld, £20¼, President Brand, £22¾, President Steyn, £24¼ and Western Holdings, £25½, all of which showed losses of a point or more. Vaal Reefs dipped £2¼ to £63 and Randfontein £1¼ to £78¾.

Press comment on the board room power-struggle failed to produce any substantial interest in Wit. Nigel, which gave up 3 to 157p.

South African Financials sustained heavy losses across the board in sympathy with Golds. De Beers fell 13 to 493p. "Anamint" £2 to £61, "Johnnies" a point to £75 and "Amgold" £1¼ to £68¾. Rand London Corporation and Rand London Coal were quoted 2 up at 17p apiece following comment on the proposed merger.

London Financials eased in quiet trading despite a minor rally by copper prices on the London Metal Exchange. Rio Tinto-Zinc were persistently sold and settled 6 lower at 556p, while Consolidated Gold Fields dipped 4 to 465p and Charter Consolidated 2 to 225p. Hampton Areas moved against the trend and added 2 at 192p following news of the nickel joint venture with Western Mining near Kambalda in Western Australia.

The strength of the underlying share price, buoyant after favourable comment, prompted an active Traded Option business in Imperial Group; the stock attracted 589 calls, with 172 done in the soon-to-expire November 130's and 160 in the February 130's. A lively two-way activity developed for Lonrho positions in which 183 calls and 102 puts were traded. Total contracts amounted to 2,099.

FINANCIAL TIMES STOCK INDICES

	Nov. 21	Nov. 18	Nov. 17	Nov. 16	Nov. 15	Nov. 14	year ago
Government Secs.	83.36	83.15	83.14	83.23	83.37	83.54	81.10
Fixed Interest	85.90	85.77	85.66	85.87	85.73	85.88	84.25
Industrial Ord.	718.8	721.4	721.5	722.8	727.2	727.4	617.2
Gold Mines	477.8	496.3	493.0	521.0	524.3	513.7	405.2
Ord. Div. Yield	4.65	4.72	4.72	4.73	4.71	4.72	4.82
Earnings, Yld.% (full)	9.79	9.42	9.40	9.41	9.38	9.39	10.30
P/E Ratio (net)	12.46	12.26	12.25	12.27	12.32	12.30	11.66
Total bargains	20,604	17,902	19,194	19,643	19,129	21,333	23,648
Equity turnover £m.	—	249.31	302.34	239.70	246.54	260.46	157.29
Equity bargains	—	15,931	17,065	17,392	16,842	21,098	19,273
Shares traded (mi)	—	144.0	159.0	150.5	143.8	150.3	116.8

10 am 722.1. 11 am 721.2. Noon 720.4. 1 pm 720.4. 2 pm 720.6. 3 pm 720.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=11.72.

HIGHS AND LOWS / S.E. ACTIVITY

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low		Nov. 18	Nov. 17
Govt. Secs.	83.70 (17/11)	77.00 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	147.2	146.5
Fixed Int.	86.00 (21/11)	79.08 (1/3)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	103.2	110.6
					Value	603.9	611.1
Ind. Ord.	740.4 (29/8)	598.4 (12/1)	740.4 (29/8/83)	49.4 (26/6/40)	5-day Average Gilt-Edged Bargains	138.7	137.9
Gold Mines	734.7 (15/2)	444.6 (1/11)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	113.8	121.4
					Value	524.8	526.3

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (101)

INT. BK. & O'SEAS GOVT. STLG. ISS. (3)
CORPORATION LOANS (1)
LOANS (1)
FOREIGN BONDS (1)
AMERICANS (2)
CANADIANS (1)
BANKS (8)
CHEMICALS (2)
ELECTRICALS (8)
ENGINEERING (9)
HOTELS (1)
INDUSTRIALS (26)
INSURANCE (2)
MOTORS (1)
NEWSPAPERS (2)
PROPERTY (11)
SHOES (1)
TEXTILES (1)
TRUSTS (20)
OVERSEAS TRADERS (2)
PLANTATIONS (1)
MINES (1)

NEW LOWS (20)

CORPORATION LOANS (1)
G.L.C. 11½pc 1984
BUILDINGS (2)
Dew (G.) Lilley (F. J. C.)
CHEMICALS (1)
Int. Paint
ELECTRICALS (1)
Black (A.)
ENGINEERING (2)
Howden Group [illegible]
INDUSTRIALS (4)
Assoc. Telecom. [illegible]
Hunting Assoc. United Packaging
PAPER (1)
Geers Gross
TRUSTS (1)
Fleetech
OILS (1)
Texas (N.) Pet.
MINES (6)
F.S. Geduld St. Helena
Pres. Brand Welkom
Pres. Steyn Western Hldgs.

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Akroyd and Smithers	530	—
Burmah Oil	170	+ 1
Comet	313	− 2
Cornell	220	+20
Eglinton Oil and Gas	215	+45
Ocean Transport	115	+ 2
Polly Peck	[illegible]	[illegible]
Smith Bros.	77	− 6
Tate and Lyle	396	− 8
Trust Securities	49	+ 5
VW Thermax New	130	+ 8
Wolverhampton Steam	180	+40

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Bowater	16	226	+10
Fisons	15	735	+22
Tricentrol	15	181	+15
Burmah Oil	14	169	+ 5
Appl. Computr.	13	488	+45
Glaxo	13	[illegible]	[illegible]
Hawley	12	73	+ 4
Eagle Star	11	653	+ 6
ICI	11	600	− 2
RTZ	11	562	+ 4
Royal Insce.	11	483	+10
Utd. Newsppre.	11	352	+13
Beecham	10	325	+ 2
BP	10	404	− 8

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 21	Dec 2	Feb 23	Mar 5
Dec 5	Dec 16	Mar 8	Mar 19
Dec 19	Jan 6	Mar 22	Apr 2

For rate indications see end of Share Information Service

Demand for Options declined sharply. Calls were arranged in Inter-City, Combined Technologies, Burmah Oil, Royal Bank of Scotland, Aspinall, Shaw Carpets, Amalgamated Estates, Bowater and Parkfield Foundries. Puts were taken out in Aran Energy, Southwest Resources and Smith Brothers. No doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	2	18
Corpns. Dom. & Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	287	206	897
Financial & Prop.	149	72	305
Oils	24	22	72
Plantations	4	3	13
Mines	21	68	76
Others	57	53	[illegible]
Totals	635	437	1,494

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Mon Nov 21 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri Nov 18 Index No.	Thur Nov 17 Index No.	Wed Nov 16 Index No.	Tues Nov 15 Index No.	Year ago (approx) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Nov 21	Day's change %	Fri Nov 18	xd adj. today	xd adj. 1983 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Mon Nov 21	Fri Nov 18	Year ago (approx)
[illegible]	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 10,218

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Nov. 21. Total Contracts 2,099. Calls 1,633. Puts 466

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

77½	71¼	Agric. Mt. 5pc '59-89	74½		6.88	11.72
37¼	11¼	Met. Wtr. 3pc 'B'	37¼	-¼	8.19	10.94

LOANS—continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, H.P. & LEASING

[illegible]

BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—continued

Australians

1983 High	Low	Stock	Price	+ or -	Div. Net	C'vr	Y'ld Gr's
28½	13½	♦ACM 20c	18½	......	—	—	—
52	32	Allstate Expln NL	40	......	—	—	—
40	9	♦Australis Mng. NL	25½	......	—	—	—
25	11	Balmoral Resources	15	......	—	—	—
60	34	♦Black Hill Mins.	38	+1	—	—	—
85	51	♦Bond Corp.	77	-1	Q10c	♦	8.3
183	116	♦Bougainville 1 Kna	149	+2	Q3.21	1.2	1.3
372	204	♦CRA 50c	338	......	tQ3c	—	0.5

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL AND IRISH STOCKS

[illegible]

OPTIONS

3-month Call Rates

Stock		Stock		Stock	
Beecham	32	Lex Service	32	Cap. Counties	14
Blue Circle	45	Lloyds Bank	48	Land Sec.	28
Boots	16	"Lofs"	9	MEPC	20
Bowaters	22	London Brick	10	Peachey	16
Brit. Aerospace	19	Lucas Inds.	35	Samuel Props.	11
B.A.T.	14	"Mams"	14	Town & City	4
Brown (J.)	5½	Mrks. & Spncr	20		
Burton Ord.	35	Midland Bank	40	**Oils**	
Cadburys	11	N.E.I.	10	Brit. Petroleum	38
Courtaulds	10	Nat. West. Bank	55	Burmah Oil	17
Debenhams	14	P & O Dfd.	21	Charterhall	9
Distillers	28	Plessey	19	KCA	6
Dunlop	6	Racal Elect.	28	Premier	6
Eagle Star	45	R.H.M.	7	Shell	55
F.N.F.C.	5½	Rank Org. Ord.	20	Tricentrol	22
Gen. Accident	42	Reed Intnl.	32	Ultramar	65
Gen. Electric	18	Sears	0		
Glaxo	75	T.I.	13	**Mines**	
Grand Met.	30	Tesco	17	Charter Cons.	28
G.U.S. 'A'	50	Thorn EMI	55	Cons. Gold	58
Guardian	45	Trusthouse	16	Lonrho	9
G.K.N.	16	Turner & Newall	7	Rio T. Zinc	62
Hawker Sidd.	28	Unilever	78		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

Authorised Units—continued

Atlanta Unit Trust Managers Ltd
1 Founders Ct. Lothbury, EC2. 01-600 8664

Jap&FarEast	47.4	51.0	+0.1	1.0

Baillie, Gifford and Co Ltd
3 Glenfinlas St, Edinburgh. 031-225 2581

JapEx Nov 9	140.3	147.1	....	0.34
IntEx*N-16	225.9	238.3	....	1.51
BGPPN†01$	214.2	225.5	....	—

†Next dealing day.
*Unauthorised.

Equity & Law Un Tst Mngrs (a) (b) (c)
Amersham Rd, High Wycombe. 0494 33377

Euro Tst Acc	61.0	65.5	—	1.38

Robert Fleming & Co Ltd
8 Crosby Square, EC3A 8AN. 01-638 58[illegible]

AmExFd*	£268.68	274.87	....	0.85
JapExFd*	£126.63	167.74	....	1.14

Next subscription day Nov 1 1983.
*Fleming American Property Unit Trust.
Latest issue price 15/11 US$10.021.
Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust.
Latest issue price 29/9 £2.070.
Units are issued on March 25, June 24, Sept 29 & Dec 25.
*Unauthorised.

Guardian Royal Ex Unit Mngrs Ltd (a)
Royal Exchange EC3V 3LS. 01-638 2020

Gilt & Fixed	116.8	121.4	−0.4	9.60
Growth Eq	100.4	109.0xd	−0.2	2.51
Guardhill	182.8	189.2	−0.6	3.35
Nth Amer	95.5	102.7xd	−0.1	1.73
Pacific	105.4	113.4xd	+0.5	0.37
Prop Shares	105.8	113.8	−0.6	2.04
Small Cos	109.1	117.4xd	+0.5	2.05

H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)
Premier UT Admin, 5 Rayleigh Rd, Hutton, Brentwood, Essex. 0277-227300

Smllr Cos Tst	52.2	55.8	+0.3	3.20
Nth Amer	47.5	50.8xd	+0.1	2.05
Japan Far Tst	53.7	57.4xd	+0.1	0.80
Scandinvn Tst	47.2	50.5	+0.2	1.49

Hexagon Services Ltd
4 Gt St Helens, London EC4P 3EP. 0708 45322

Aust Frst	110.2	118.0	....	2.43
Brazil Cap	83.1	87.5	....	0.01
Brazil Int	76.7	80.8	....	3.81
Canada Grw	108.8	117.0	....	0.9

Lawson Fund Managers Ltd (a) (c) (g)
43 Charlotte Sq, Edinbgh 2. 031-225 8001

Charlt Sq Fd	56.0	58.0	+0.4	4.5
Pen Shr Fd	14.0	15.0	....	1.8
Aust & Pac	8.1	9.1	....	0.6
High Yield	10.4	20.9an	—	11.50
Do Accum	20.9	22.4xd	—	11.50

London & Manchester (Tst Mgmt) Ltd
72-80 Gatehouse Rd, Aylesbury. 0296 5941

Gen Tst	—	25.0	....	—

MGM Unit Managers Ltd
MGM House, Heene Road, Worthing. 01-623 0711

High Inc	127.4	137.0	+0.4	0.65
(Accum Uts)	133.8	143.4	+0.4	0.65
UK Growth	121.1	130.2	+0.3	3.37
(Accum Uts)	122.8	131.8	+0.2	3.37

MLA Unit Trust Management Ltd
Old Queen St, SW1A 9JG. 01-222 8576

MLA Uts	189.8	199.2	....	2.68
MLA Int	28.5	29.9	....	0.83

The Money Market Trust
03 Qn Victoria St, EC4N 4ST. 01-230 0952

7 Day Fund	—	—	....	8.95
Call Fund	—	—	....	8.84

*Unauthorised—Sterling Deposit Fund.

Scottish Unit Managers Ltd
29 Charlotte Sq, Edinburgh. 031-220 4372

Pacific Fund	28.1	28.3	+0.2	0.30
World Growth	23.8	25.6xd	+0.1	2.33
Nth Amer	28.8	28.0	—	0.37
Income Fund	23.0	25.8xd	—	0.00

Offshore and Overseas—continued

Insurances—continued

Pension Funds

UK Equit	102.4	107.8	+0.2	—
Fixed Int	113.5	110.5	+0.4	—
Spec Sits	119.7	126.1	+1.3	—
N America	113.2	119.2	+1.0	—
Far East	126.0	132.7	+0.7	—
Managed	114.1	120.2	+0.1	—
Comm Prop	101.2	106.6	....	—
Prime Rest	106.9	112.8	....	—
Deposit	101.2	106.6	....	—

Capital unit prices available on request.

Kinsman Assurance Society
43 Charlotte Sq, Edinburgh. 051-225 0166

Life Assce	200.8	204.9	....	—
Savings Nrw	118.1	120.8	....	—
Savings Wde	178.2	181.9	....	—

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers: Touche Remnant & Co

Sel Sec A.	23.4	24.7	....	—
Blue Chip	17.9	10.9	....	—
Fixed Yield	18.2	19.2	....	—
Gnt'd Mony	14.8	15.7	....	—
Managed	17.2	18.2	....	—
International	22.7	23.9	....	—
Property	13.3	14.1	....	—
Pacific	16.8	17.7	....	—
Equity	14.0	14.8	....	—
Special Sits	20.0	21.1	....	—
International	12.5	13.2	....	—
Indx Lkd Secs	10.8	11.2	....	—
American	17.5	18.6	....	—

London Life Linked Assn Ltd
100 Temple St, Bristol BS1 6EA. 0272-279179

Equity	221.4	228.0	....	—
Fixed Int	170.6	171.0	....	—
Property	166.8	171.4	....	—
Deposit	142.7	142.7	....	—
Mixed	192.3	196.3	....	—
Index Stk	100.6	110.1	....	—
International	115.4	117.7	....	—

London Life Managed Funds Ltd

Equity(P)	160.1	195.7	....	—
Fixed Int(P)	178.4	177.7	....	—
Property(P)	123.1	127.4	....	—
Deposit(P)	122.8	122.8	....	—
Mixed(P)	153.5	157.2	....	—
Index Stk	110.9	116.7	....	—
Int Equity	111.6	113.8	....	—

Moneywise Friendly Society
80 Holdenhurst Rd, Bournemouth. 0202 295678

Mnywise Int	48.9	52.1	+0.6	—

Municipal Life Assurance Ltd
99 Sandling Rd, Maidstone. 0622 679351

Equity Fd	97.0	103.0	....	—
Managed Fd	104.0	110.0	....	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath. 0444 458721

Nat Res'ces	101.0	107.0	....	—
Property	140.0	148.0	....	—
UK Equity	159.0	147.0	....	—
Intl Equity	123.0	130.0	....	—
Jarretts Fd	96.0	102.0	....	—

Prudential Pensions Ltd
Holborn Bars, EC1 2NH. 01-405 9222
Pru Link Retirement Plan

Managed Fd	147.0	154.1	....	—
Cash Fd	114.1	118.9	....	—

St George Assurance Co Ltd
The Priory, Hitchin, Herts. 0462 57161

Managed Fd	105.1	110.7	....	—
Universal Fd	100.4	105.7	....	—

Save & Prosper Group
4 Gt St Helens, London EC3P 3EP. 0706 66966

DepPenFd*	188.2	199.2	....	—
Gilt Pen Fd	190.1	201.2	....	—
GlobalEqPen	56.9	60.3	+0.3	—

Scottish Provident Institution
9 St Andrew Sq, Edinburgh. 031-558 9181

Mixed	86.4	101.6	+0.2	—
Equity	97.0	102.2	+0.1	—
International	96.0	102.0	+0.4	—
Property	95.0	100.1	....	—
Fxd Interest	96.4	101.6	+0.4	—
Index Linked	95.1	100.2	....	—
Cash	95.2	100.3	....	—
Pen Mxd Int	96.4	101.9	+0.3	—
Do Ord	96.7	101.8	+0.2	—
Pens Eq Int	97.0	102.2	+0.1	—
Do Ord	97.1	102.3	+0.1	—
Pens Intl Init	90.8	101.9	+0.4	—
Do Ord	97.0	102.2	+0.4	—
Pen Prp Init	85.0	100.1	....	—
Do Ord	95.1	100.2	....	—
Pen Fx-Int In	96.5	101.7	+0.4	—
Do Ord	96.8	101.7	+0.3	—
Pen Ind Lk In	95.0	100.1	....	—
Do Ord	95.1	100.2	....	—
Pen Cash Init	85.1	100.3	....	—
Do Ord	95.2	100.4	....	—

Skandia Life Assurance Co Ltd
Frobisher Hse, Southampton. 0703-334411

Managed	153.7	181.0	+0.4	—
Equity	161.3	166.8	+0.9	—
International	178.2	185.5	+0.1	—
N America	105.9	111.5	−0.4	—
N European	104.2	109.7	+0.4	—
Pacific	100.7	115.5	+0.9	—
IntRecovery	113.2	119.2	−0.3	—
Gilt Plus	143.9	151.5	+0.4	—
Property	129.4	136.2	+0.1	—
Deposit	132.2	139.2	...	—
PensManagd	183.3	102.9	+0.6	—
Pens Equity	189.8	189.9	+1.2	—
Pens Intl	210.2	228.5	+0.2	—
PensNAmer	107.9	113.8	−0.5	—
Pens N Euro	107.4	113.1	+0.4	—
Pens Pacific	113.1	119.0	+0.7	—
Pens Int Rec	117.1	123.3	−0.4	—
Pens GiltPls	174.3	183.5	+0.6	—
Pens Prpty	158.1	166.4	+0.1	—
Pens Dep	162.3	170.8	...	—

For prices of Capital Units and Guaranteed Basic Rates please phone 0703 334411.

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732 450161

Equity	£90.77	£98.73	....	—
Fixed Int	£101.92	£102.43	....	—
Index Lkd	£100.74	£101.24	....	—
Property	£105.46	£108.72	....	—
Cash	£100.74	£100.74	....	—
Mixed	£99.51	£102.58	....	—

Next sub day December 1

Target Life Assurance Co Ltd
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 5941

Sterling	—	—	....	7.5
U.S. Dollar	—	—	....	5.5
Swiss Franc	—	—	....	0.0
Deutsche Mark	—	—	....	2.9
Yen	—	—	....	1.2

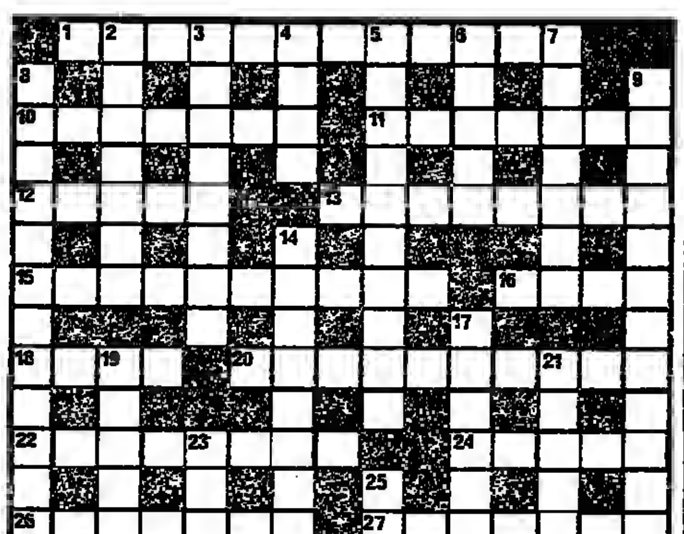
TSB Life Ltd
PO Box 3, Keens House, Andover, Hants. SP10 1PG.

Managed Fd	106.6	112.3	+0.3	—
Property Fd	98.4	103.7	+0.1	—
Fixed Int Fd	103.0	108.9	+0.4	—
Money Fd	98.4	103.7	+0.1	—
Equity Fd	113.1	118.2	+0.1	—

Windsor Life Assurance Co Ltd
Royal Albert Hse, Sheet St, Windsor 68144

N Amer Fd	194.1	204.3	....	—
FutAssGth	75.0(A)	65.0(B)	....	—
FutAssPen	—	51.60	....	—
Far East Fd	125.5	122.1	....	—

F.T. CROSSWORD PUZZLE No. 5,275



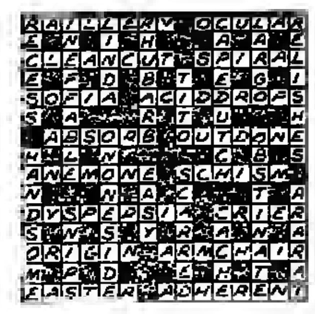
ACROSS

1 Scorpion found by the RAF perhaps next to weir (6-6)
10 Morning by the heath abroad (7)
11 Deserters allow return of satellite (7)
12 Explanation for golfer's first defeat (5)
13 Somehow Norma gets endless credit although extravagant (8)
15 Religious leader or a priest make breathing easier (10)
16 A father leaves Roman general a travelling bag (4)
18 Chances strange quarter (4)
20 One unlikely to bend the rules (10)
22 Deliveries not quite simple in another country (8)
24 Little Dickensian—it is a lark! (5)
26 Sometime Lawrence at home with one composer (7)
27 It is current in Venezuela (7)
29 Way to follow ruler in London (6, 6)

DOWN

2 Expert to 10 appears sour (7)
3 Dirigible sounding inheritance (8)
4 Paper for headless fish (4)
5 Halley for one converted Roman store (10)
6 Hot battle this game (5)
7 A spinner either way (7)
8 Marsupial at Wimbledon? No justice here (8, 5)
9 Curiously appoint Eric—it shows undue haste (13)
14 At which point it's the limit! (10)
17 He provides drink on jetty—many go in (8)
19 Table seen in theatre? (7)
21 Condemn salesman getting over change (7)
23 "The —— is not so sharp" (A.Y.L.I.) (5)
25 Emporiums don't open for beer ingredient (4)

Solution to puzzle No. 5,274



INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

Black Horse Man Fd.	233.17		....	—
Managed Inv. Fd.	156.86	165.12	....	—
Property Fd.	151.46	159.44	....	—
Fixed Interest Fd.	146.09	153.78	....	—
Cash Fd.	136.49	143.68	....	—
Income Fd.	168.36	177.23	....	—
Extra Income Fd	160.75	169.22	....	—
Worldwide Growth Fd.	219.35	230.90	....	—
Balanced Fd.	167.80	176.64	....	—
Smlr Co's & Recy. Fd	198.34	208.78	....	—
Int. Technology Fd.	250.82	264.03	....	—
Nth. Amer. & Gen. Fd.	257.88	266.74	....	—
Energy Int. Fd.	100.47	105.76	....	—
Pacific Basin Fund	135.41	142.54	....	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	112.4	118.3	....	—
Property	113.1	119.1	....	—
Equity	115.2	121.3	....	—
International	125.2	131.8	....	—
Fixed Interest	102.7	108.1	....	—
Deposit	99.7	104.9	....	—
Managed Pen. Cap.	112.4	118.4	....	—
Property Pens. Cap.	113.5	119.4	....	—
Equity Pens. Cap	109.7	115.5	....	—
Intnl Pens. Cap.	128.9	135.7	....	—
Fixed Int. Pens. Cap.	100.4	105.7	....	—
Deposit Pens. Cap.	97.4	102.6	....	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Nov 2	91.5		....	—
Retmt. Fed Aug 6	255.4		....	—
Managed Pen Fund	184.4	194.1	....	—
Property Pen Fund	114.5	120.5	....	—
Index Lnkd Pen Fund	113.4	119.4	....	—
Managed	121.8	128.3	+0.1	—
Property	104.2	109.7	....	—
Gilt and Fixed Interest	108.4	114.2	+0.2	—
Index-Linked	98.5	103.7	-0.1	—
Equity	119.7	126.0	+0.1	—
Cash	104.4	109.9	+0.2	—
Midland Bk. Unit Tst.	118.3	124.6	+0.3	—
Midland Bank Intnl.	139.4	146.8	+0.4	—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Plan Bond Fund	123.7	130.3	+0.5	—
GT Pln High Yld Fnd	120.8	127.2	-0.1	—
GT Plan Far East Fnd	115.2	121.3	....	—
GT Plan N. Am Fd	136.8	144.0	....	—
GT Pln UK&G.E. Fnd	135.4	142.6	....	—
GT Pln Wrldwde Fnd.	133.2	140.3	....	—
GT Pension Bnd Fnd.	133.5	140.4	+0.5	—
GT Pen High Yld Fd	136.8	144.0	....	—
GT Pen Far East Fd	140.3	147.7	....	—
GT Pen N. Am. Fd	198.1	208.6	....	—
GT Pen UK & G.E. Fd	156.7	165.0	....	—
GT Pen Worldwide Fd.	141.7	149.2	....	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	166.9	175.7	....	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.	251.5		....	—
Portfolio Fd. Init.	207.1		....	—

See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	274.4	289.1	....	—
Money Fd	155.8	164.0	....	—
Equity Fd	232.6	244.8	....	—
Fixed Int. Fd	119.5	125.9	....	—
Property Fd	172.1	181.3	....	—
Managed Pen. Fd.	253.9	267.5	....	—
Equity Pension Fd	179.8	189.5	....	—
Fixed Int. Pen. Fd.	166.5	175.4	....	—
High Yield Pen. Fd.	163.9	172.7	....	—
Money Pension Fd	128.6	135.5	....	—
Property Pension Fd.	127.3	134.1	....	—

Gresham/Prestige

American & Gen. Fd.	255.6	269.3	-0.2	—
Income Fd	185.4	195.4	+2.0	—
Int'l. Growth Fd	272.7	287.4	+0.9	—
Capital Fund	194.6	205.0	....	—
Recovery Fund	147.6	155.5	....	—

OFFSHORE AND OVERSEAS

NOTES

COMMODITIES AND AGRICULTURE

Copper defies easier trend

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER prices moved up on the London Metal Exchange yesterday defying the easier tren in precious metals.

The three months quotation for higher grade copper closed £1.5 up at £967.25 a tonne, but it advanced in after-hours dealing to £974.

Traders said the market was boosted by some consumer demand, reports of a growing shortage of scrap supplies and rumours of renewed Chinese buying interest. Copper stocks held in LME warehouses rose for the 16th week in succession to the highest level for five years. But the increase was only 475 tonnes, to a total of 422,375 tonnes, suggesting the recent inflow of supplies is ending.

In contrast, aluminium prices fell sharply—the three months quotation closed £12.5 lower at £1,032.75 a tonne. The market was depressed by a rise in LME warehouse stocks—up by 1,450 to 230,150 tonnes—and news of higher production.

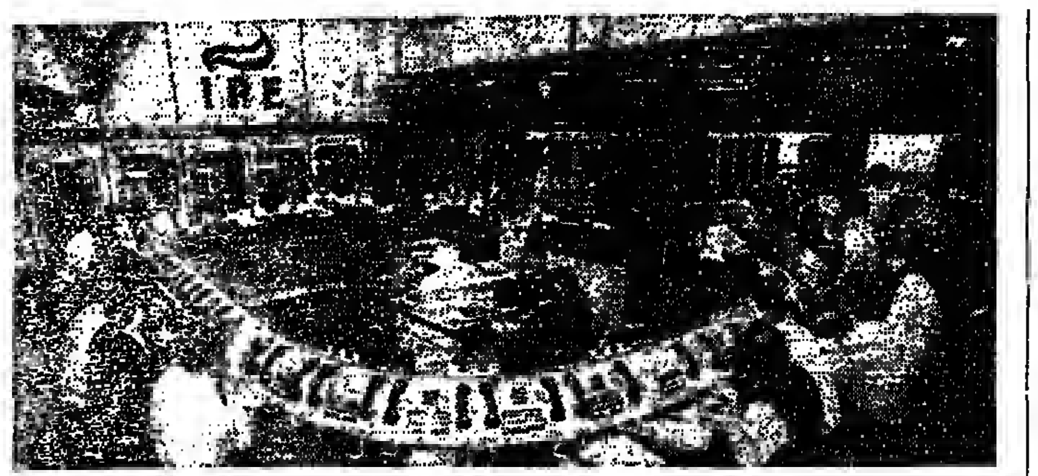
The International Primary Aluminium Institute reported that output during October in the non-Communist world rose to 984,000 tonnes compared with 931,000 in September and 848,000 in October last year. The main production increases were in North America and Europe.

Meanwhile in Australia, Comalco lowered its domestic price from A$1,825 to A$1,750 a tonne to reflect the recent fall in world prices.

LME zinc values lost ground, in spite of warehouse stocks declining by 575 tonnes to 102,950 tonnes. There was reported to be sustained trade selling at the higher levels and three months zinc eased by £3.25 to £606.5 a tonne.

Lead stocks rose by 100 tonnes to 134,750 tonnes; nickel by 738 to 26,142; tin by 280 to 42,715; and LME silver holdings by 404,000 to 40,004,000 ounces.

Tin prices were boosted by the weakness of sterling, with the buffer stock of the International Tin Council apparently lifting its minimum support buying levels. High grade cash tin gained £52 to £8,807.5 a tonne.



TRADING began slowly on the opening day of the London crude oil futures market at the International Petroleum Exchange yesterday. Turnover was only 224 lots (each lot equals 1,000 net barrels—42,000 U.S. gallons), with most business reported to have come from brokers rather than the oil industry. However, IPE traders and officials said they were pleased the contract had begun soundly. It had been predicted the market would need time to become established, and the exchange gave it a low key introduction to avoid raising false hopes. Nevertheless, the exchange is confident of reaching its initial target of trading 500 lots daily within six months. The first delivery month is February, after which the market will trade continuously for six individual months forward, so there is no trading for spot or nearby delivery yet. North Sea Brent Blend is the marker crude, but other similar crudes are deliverable with appropriate discounts for premiums. Prices moved in a narrow range yesterday. February futures traded within a range of $28.34 to $28.50 a barrel.

Cocoa lifted by renewed crop fears

COCOA prices were boosted again yesterday by renewed uncertainty about West African crops.

A statement by the Ivory Coast's agriculture department that its 1983-84 crop would be "bad" encouraged a fresh wave of buying which pushed the March position on the London futures market £23.50 higher to £1,577.50 a tonne.

Ivory Coast crop forecasts had been lifted to 400,000 tonnes or more as the extent of drought and fire damage earlier in the season was reassessed. The crop was put at less than 300,000 tonnes at one time.

● AUSTRALIAN wheat board sold 1.5m tonnes of wheat to the Soviet Union—the largest single contract for Australian wheat to the Soviets.

● WEST GERMAN mixed feed producers used 3.49m tonnes of grain in their output in the 1982-83 economic year—down 716,000 tonnes on the previous year.

● THAILAND'S 1983-84 sugar cane crop is expected to fall 26.8 per cent to 17.5m tonnes because of low world prices and monsoon flooding in growing areas, the independent board of trade said.

● U.S. RED MEAT and poultry output during October-March is forecast to be 3.7 per cent higher than last year, the U.S. Agriculture Department said.

● SOVIET workforce of Uzbekistan, the main cotton producing area, is being mobilised to speed up the cotton harvest which is well behind schedule and forecast to be lower than last year.

● JAPANESE pork industry expressed "great interest" in buying British pork when trade barriers imposed for animal health reasons are lifted, following a British trade mission to Japan

● LIQUID MILK sales in England and Wales in October were up 0.9 per cent over the same month last year, according to the Milk Marketing Board.

Timber producers prepare for upturn

BY A SPECIAL CORRESPONDENT

THE U.S. and Canadian forest products industries gave notice at a conference in Arlington, Virginia, last week of their intention to compete vigorously in European markets as demand recovers.

Mr John B. Crowell, U.S. Assistant Secretary of Agriculture with responsibility for forestry, said the U.S. intended to be a major exporter to world markets, particularly Western Europe and Japan. The Administration was to introduce legislation to relax restrictions on cutting levels in the national forests. He was therefore optimistic about U.S. ability not only to satisfy domestic demand but also to expand foreign sales of wood products.

U.S. exports of solid wood products are expected to reach $8bn this year and rise to $7bn in 1990, according to Mr Vernon L. Harness of the U.S. Department of Agriculture's Foreign Agricultural Service. Almost $3bn shared about equally between industry and the U.S. Government will be spent this year on developing foreign markets. This will rise by 70 per cent to $3.4m next year.

Exports to Europe are worth $700m. Mr John V. Word, director for international trade of the National Forest Products Association, predicted that European demand for wood would continue to grow, and that European exports could reach $1.6bn by 1990.

Mr John Wadsworth, associate director of BIS marketing research, said there could be a decline in orders for timber frame houses as a result of recent adverse publicity. The construction sector as a whole might not return to former levels of activity.

Acid rain is another cause of uncertainty.

"Supply projections could alter rapidly, if our worst fears about air pollution are well founded," said Mr Tim Peck, chief of the Agriculture and Timber Commission of the United Nations Economic Commission for Europe. There was likely to be a substantial increase in short-term wood supplies as a result of sanitary fellings in West Germany, followed by a long-term decline. "Until quite recently it was assumed that Europe could maintain its level of self sufficiency. Today we can only hope, bearing in mind the threat of air pollution, that this can continue to be the case."

Gaining a greater share of the European market would demand a new determination on the part of the American forest industries, said Mr James W. Curlin of the Office of Technology Assessment of the U.S. Congress.

North America will not be alone in competing for the European market. Dr Lars Lonnstedt, from the Swedish University of Agricultural Sciences in Uppsala, said lack of infrastructure put a question mark over the ability of the Soviet Union to increase its supplies substantially. The Scandinavian countries were in a strong position to expand output of forest products in the 1980s and take advantage of growing shortages of wood in Western Europe.

"We will give you a hard fight for the European market," he warned the Americans.

North American timber producers are gearing up for an upturn in demand for timber—particularly in Western Europe and Japan. They plan to grab a bigger share of the European market — their share of European exports stands at $700m and is predicted to grow to about $1.6bn by 1990. Scandinavian producers, too, are preparing for a hard fight to take advantage of growing shortages of wood.

Upsurge in tea continues at London auction

By Richard Mooney

THE UPSURGE in world tea prices continued at yesterday's weekly London auction. The average price for quality grade tea was up 17p at 267p a kilo, medium grade was up 17p at 252p and low medium grade was 20p up at 223p. The price for Medium grade tea has risen 37 per cent in just four weeks.

Dealers said there was no fresh news to explain this week's additional rise which they attributed to continued tight supplies available for nearby delivery. There appeared to be insufficient tea available to meet buoyant world demand, they added.

Prices were also strong at Kenya's Mombassa auction where prices were 20 per cent higher than at the beginning of the month. British buyers continued to dominate the auction, Mombassa traders said.

Christmas nut supplies likely to be plentiful

BY BARBARA DALZELL

GOOD NEWS for those whose idea of exercise over the Christmas period consists of falling into an armchair and wielding a nutcracker: nuts should be reasonably plentiful and prices are likely to be little changed over last year.

The market for nuts is strongly seasonal, with some demand in Scotland and Ireland at Halloween, peak demand throughout the country over Christmas, then the traditional but declining Easter trade.

Wholesale prices should be between about £1,140 to £1,300 a ton for Brazil nuts in shell, with supply likely to meet demand.

Prices will be about the same as last year—prices on the international markets have been lower than last year but this has been offset by the sterling exchange rate against the dollar, according to Mr Tom Banner of importers Gill and Duffus.

Mr Banner expects walnuts to be cheaper than last year because of falling demand, with wholesale prices at about £625 a ton, about £100 less than last year.

Hazelnuts should be reasonably plentiful, with prices at a "realistic" 625 a ton. However, because of lack of freight space on ships from Italy, later overland supplies may cost up to £40 extra a ton.

Almonds will be more expensive. The California crop was small and although quality is down, wholesale prices should be up by about £150 a tonne on last year, at about £850.

U.S. legislation on dairy payments faces veto

BY NANCY DUNNE IN WASHINGTON

U.S. LEGISLATION to pay farmers not to produce milk remains imperiled by a Presidential veto, although legislators have dropped a controversial provision which would have limited American meat imports.

The House-Senate compromise reduces the federal price support for milk from $13.10 for each 100 pound to $12.60. The Administration had proposed reducing the support by as much as $1.50 a hundredweight because the Government has been forced to spend almost $3bn a year to buy and store surpluses to support the price.

The bill would also pay farmers $10 for each 100-pound reduction of milk production during a 15 month period.

Although the Secretary of Agriculture is given some authority to oversee livestock slaughter during the period, livestock producers say hundreds of thousands of dairy cows will be put on the market, depressing prices at a time when high feed costs are already hurting their industry.

While the Office of Management and Budget is opposed to the dairy diversion scheme, a veto would mean that higher milk supports next year would go into effect automatically.

PRICE CHANGES

In tonnes unless stated otherwise	Nov. 21 1983	+ or —	Month ago
Metals			
Aluminium	£1050	......	£1050
Free Mkt.	$1490/1520	......	$1570/1600
Copper			
Cash h grade	£944.0	+3.5	£957.5
3 mths	£967.25	+4.5	£981.75
Cash Cathode	£930.0	+3.75	£939.75
3 months	£959	+4.5	£961.75
Gold troy oz	$374.525	-1.5	$395.125
Lead Cash	£272.75	-0.25	£293.75
3 months	£281.75	-0.25	£291.75
Nickel	£4646.54	......	£4646.54
Free mkt	205/225c	......	215/252c
Palladium oz.	$145.28	......	$149.00
Platinum oz	£259.50	-1.25	£262.50
Quicksilver†	$315/315	......	$320/330
Silver troy oz	571.15p	-10.90	642.20p
3 mths	585.75p	-10.95	665.85p
Tin cash	£8675	+30	£8538.5
3 months	£8805.5	+33	£8622.5
Tungsten	$78.12	-0.13	$85.78
Wolfr'm 22.04 lb	$69/73	......	$79/83
Zinc Cash	£592.0	-3.5	£591.5
3 mths	£606.5	-3.25	£605.75
Producers	$950	......	$925

	Nov. 21 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$900y	......	$870
Groundnut	‡	......	$1075
Linseed Crude	‡	......	£317
Palm Malayan	$660v	+5	$670
Seeds			
Copra Phil	$585x	+10	$570
Soyabean (U.S.)	$306	-8	$334
Grains			
Barley Fut. Jan	£118.85	-0.05	£119.90
Maize	£146.50	+0.50	£146.00
Wheat Fut. Jan	£120.00	+0.05	£124.00
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1620	+13	£1487.5
Fut. March	£1577.5	+23.0	£1421.5
Coffee Ft. Jan.	£1937	+03.5	£1911
Cotton A. Index	89.45c	......	89.80c
Gas Oil. Dec.	$244.00	+0.25	$250.75
Rubber (kilo)	91.25p	+0.50	79p
Sugar (Raw)	£136yv	......	£138
Woolt'ps 64s.	403p kilo	+2	400p kilo

‡ Unquoted. u Dec. v Jan. s Dec-Jan. y Nov-Dec. † Per 76 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.95-28.15	-0.05
Iranian Light	27.70-28.00	-0.05
Arabian Heavy	26.00-26.20	-0.02
North Sea (Forties)	28.10-28.45	-0.07
North Sea (Brent)	28.25-28.55	-0.10
African (Bonny Li'ht)	28.60-29.25	-0.58
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	287-293	+0.5
Gas oil	242-251	-1.5
Heavy fuel oil	168-100	—

GAS OIL FUTURES

In light volume, prices opened about $1.00 higher and remained steady until towards midday when prices began to weaken and the lows were reached on the re-opening. The market then moved a little higher and remained unchanged for most of the afternoon, reports Premier Man.

Turnover: 2,074 (3,56) lots of 100 tonnes.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Nov	240.75	+1.75	242.25-39.50
Dec	244.00	+0.25	245.50-43.00
Jan	244.00	—	243.50-43.25
Feb	242.00	—	243.75-41.50
Mar	230.75	—	238.50-36.50
April	234.00	+0.75	234.50-33.00
May	232.75	-0.25	232.75-32.00
June	232.00	+0.25	—
July	233.00	-1.00	236.00-32.50

Turnover: 3,556 (5,973) lots of 100 tonnes.

GOLD MARKETS

Gold fell $1½ an ounce from Friday's close in the London bullion market yesterday to finish at $374½-375. The metal opened at $373¾-374 and traded between a high of $374¾-375½ and a low of $373¾-375¼, the opening level. Renewed dollar strength and fears of higher U.S. interest rates were factors behind gold's weaker trend.

In Frankfurt the 12½ kilo bar was fixed at DM 32,635 per kilo ($375.47 per ounce) against DM 32,780 ($378.01) and closed at $374-374½ from $376-376½.

In Paris the 12½ kilo bar was fixed at FFr 99,000 per kilo ($374.28 per ounce) in the afternoon compared with FFr 99,000 ($374.32) in the morning and FFr 99,300 ($376.49) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at the fixing was $375.25 from

supports are calculated by a complicated formula which would raise the price to about $14 per hundred-weight.

$376.75.

In Zurich gold finished at $373-376 from $374-377.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
Nov	375.10-75.00	-1.10	—
Dec	374.80-75.00	-1.75	376.00-74.40
Feb	380.80-80.90	-1.70	381.50-80.40
April	388.00-90.00	-2.10	387.55
June	392.30-93.00	-2.35	—
Aug	398.50-400.0	-1.75	—

Turnover: 518 (965) lots of 100 troy ounces.

	Nov. 21		Nov. 18	
Gold Bullion (fine ounce)				
Close	$374½-375	(£255-255½)	$375¾-376¼	(£255½-256)
Opening	$373¼-374	(£254-255)	$376¾-377¼	(£254¾-255¼)
Morning fixing	$374.70	(£254.032)	$376.25	(£254.360)
Afternoon fixing	$374.25	(£254.676)	$375.85	(£255.098)

Gold and Platinum Coins Nov. 21					
Krugrnd	$385-386½	(£263½-264)	King Sov	$92-93½	(£62½-63½)
½ Krg	$198¾-199½	(£135¾-136¼)	Victoria Sov	$92-93½	(£62½-63½)
¼ Krg	$101½-102¼	(£69¼-70¼)	French 20s	$72¼-74¼	(£49¼-50¼)
1/10 Krug	$41½-42	(£28½-29½)	50 pesos Mex	$454-456	(£310-311½)
Mapleleaf	$385½-386½	(£263½-264½)	100 Cor. Aust	$355-360	(£249½-252½)
New Sov	$88-89	(£60¼-61)	$20 Eagles	$530-540	(£360-375)
½ New Sov	$50½-51½	(£34½-35¼)	Noble (Plat)	$406-410	(£276¾-280¼)

EUROPEAN MARKETS

ROTTERDAM, November 21.

Wheat—(U.S. $ per tonne): U.S. Two Red Winter Dec 162.50, Jan 166, Feb 167, March 168.50. U.S. Two Northern Spring 14 per cent protein Dec 195.50, Jan 191, Feb 191, March 191, April/May 179. U.S. Three Amber Durum Dec 197, April/May 198. Canadian Western Spring Nov 15/Dec 15 206.

Maize—(U.S. $ per tonne): U.S. Three Yellow afloat 160.50, Nov 161, Dec 160, Jan/March 160, April/June 160 sellers. Argentine Plate afloat 174, Dec 178 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Nov 302, Dec 305, Jan 308.75, Feb 312.50, March 316.70, April 320, May 321.50, Oct 257, Nov 257, Dec 270.75, Jan 275.75 sellers. Argentine afloat 298.75 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 248, Nov 251, Dec 253, Jan 257, Jan/March 263, April/Sept 259.50, Nov/March 1984/85 229 sellers. Pellets Brazil afloat 248, Nov 253, Dec 258, Jan/March 263, April/Sept 260 traded. Pellets Brazil Nov 272, Dec 278.50, Jan 285, Jan/March 284, April/Sept 265.50 sellers. Pellets Argentine afloat 260, Nov 257.50, Dec 263, Jan 270, Feb 274, July/Sept 255 sellers.

PARIS, Nov. 21.

Cocoa—(FFr per 100 kg): Dec 1895/1894; Mar 1928/1930; May 1940/1945; July 1955 bid; Sept 1975 bid; Dec 1995 bid; Mar 2010 bid.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES were mixed on the London Metal Exchange. COPPER initially fell from £960 to £956, following the early weakness in gold and silver, but rallied strongly thereafter to close the afternoon kerb at £974, boosted by currency considerations, improved physical interest and chartist buying. TIN moved higher following an increased level of support from the buffer stock manager. LEAD and ZINC were unsettled by trade selling while talk of U.S. fund selling weakened ALUMINIUM which fell to £1032 prior to closing the late kerb at £1035.25.

COPPER

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £942.50, three months £967, 66.50, 67, 66.50, 66, 65.60, 65. Cathodes: Three months £951. Kerbs: Higher Grade, three months £965.50, 65, 64, 63, 62.50. Afternoon: Higher Grade: Three months £964.50, 65, 65.50, 66.50, 67, 67.50, 68, 67.50. Kerbs: Higher Grade: Three months £970, 71, 71.50, 72.50, 73, 73.50, 74. Turnover: 35,400 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	942.5-3	+8.5	943.5-4.5	+3.5
3 months	965-.5	+9	957-.5	+4.5
Settlem't	943	+8.5	—	......
Cathodes				
Cash	926-.5	+0.25	928-30	+3.75
3 months	950-1	+0	951-3	+4.5
Settlem't	920.5	+7.3	—	
U.S. prod	—	—	*35-9	......

TIN

Tin — Morning: Standard: Three months £8797, 96, 8810, 11, 10, 09. Kerbs: Standard: Three months £8807, 06, 05. Afternoon: Standard: Three months £8806, 05, 06. High Grade: Cash £8805. Kerb: Standard: Three months £8810, 15, 10. High Grade: Three months £8840. Turnover: 1,380 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	8800-8	+57	8805-10	+52
3 months	8835-40	+50	8835-40	+42
Settlem't	8808	+09	—	......
Standard				
Cash	8680-90	+54.3	8670-80	+30
3 months	8800-11	+54.5	8805-6	+38
Settlem't	8690	+58	—	......
Straits E.	$30.24	-0.07	—	......
New York				

LEAD

Lead — Morning: Cash £272, three months £283.50, 83, 82.50, 82.0. Kerb: Three months £281.50, 81. Afternoon: Three months £281, 81.50. Kerb: Three months £282, 82.50. Turnover 9,150 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	272-.25	-.625	272-.5	-.25
3 months	281.5-.75	-1.3	281.5-2	-.25
Settlem't	272.25	-.75	—	......
U.S. Spot	—	......	*20.0	......

ZINC

Zinc — Morning: Three months £610, 10.50, 11, 10, 09.50, 09.75. Kerb: Three months £609. Afternoon: Three months £609, 09.50, 08, 08.50, 08, 07. Kerb: Three months £609.50, 09, 08, 07.50. Turnover: 6,225 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	595-.5	—	591.5-2.5	-3.5
3 months	609.5-.75	+.75	606-7	-3.25
Settlem't	595.5	—	—	......
Prim w'ts	—	......	*46-.75	......

ALUMINIUM

Aluminium — Morning: Three months £1045, 45.50, 45, 44.50, 43.50, 43, 42.60, 42, 41, 40.50, 40. Kerb: Three months £1040.50, 40, 39, 38, 37.50, 37. Afternoon: Three months £1036, 35.50, 36, 33, 34, 33, 32, 31, 31.50, 31, 32, 32.50, 32, 32, 32.50, 32, 31.50, 32, 32.50, 33. Kerbs: Three months £1035, 36, 37, 35, 33, 34, 35, 36. Turnover: 29,775 tonnes.

Aluminium	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1014-.5	-10	1005.5-6.5	[illegible]
3 months	1040-.5	-12	1033.5-4	-12.5

NICKEL

Nickel — Morning: Three months £3115, 10, 05, 04, 01, 02, 3100, 3095, 90, 87, 90, 88, 90, 95, 90. Kerb: Three months £3085. Afternoon: Three months £3100, 05, 06, 10, 15, 12, 15, 20, 18, 25, 26, 28, 26, 27, 28, 25. Kerb: Three months £3130, 25. Turnover: 1,992 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3012-7	-47	3045-50	-20
3 months	3090-8	-36.5	3120-5	-18

* Cents per pound. ‡ M$ per kilo. † On the previous unofficial close.

SILVER

Silver was fixed 10.9p an ounce lower for spot delivery in the London bullion market yesterday at 571.15p. U.S. cent equivalents of the fixing levels were: spot 839c, down 22c; three-month 858.9c, down 22.3c; six-month 880.2c, down 23c; and 12-month 923.8c, down 25.5c. The metal opened at 569-571p (835-838c) and closed at 574-576p (843-847c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	571.15p	-10.9	577.50p	-1.0
3 months	585.75p	-10.9	590.50p	-1.25
6 months	597.10p	-11.2	—	......
12 months	624.00p	-12.8	—	......

LME—Silver (2,000 oz contract)—Three months: 593.5p (591.5p). Turnover 0 (3).

Turnover: 82 (126) lots of 10,000 oz. Morning: Large contract three months 585.0, 84.5, 85.0, 84.8, 84.5, 84.4; small untraded. Kerb: Large, three months 585.0; small, untraded. Afternoon: Large, cash untraded; three months 586.0, 91.0; small, untraded. Kerb: Three months, large 592, small untraded.

COCOA

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec	1563-50	+13.50	1075-48
March	1077-78	+20.50	1585-54
May	1577-78	+24.06	1065-07
July	1581-82	+24.50	1585-65
Sept	1584-85	+20.8	1590-70
Dec	1593-88	+10.5	1598-91
March	1603-04	+10.0	1608-02

Sales: 4,778 (2,925) lots of 10 tonnes. ICCO—Indicator prices (U.S. cents per pound). Daily price for Nov 21: 102.12 (100.83); five-day average for November 22: 101.79 (101.25).

COFFEE

The market advanced to fresh contract highs in some positions during a quiet morning session, reports Drexel Burnham Lambert. Gains were extended slightly as commission house buying inspired further strength before trade selling and dealer profit-taking restricted the rise.

COFFEE	Yest'day's Close	+ or —	Business Done
Nov	1925-20	+30.5	1924-07
January	1936-38	+33.5	1942-10
March	1887-89	+35.5	1894-15
May	1809-10	+12.0	1820-10
July	1769-71	+15.0	1775-70
Sept	1740-40	+16.0	1746-40
Nov	1710-20	+14.0	1720-18

Sales: 3,313 (2,423) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for Nov 15: Comp daily 1979 137.45 (137.03); 15-day average 136.21 (135.99).

GRAINS

Business done—Wheat: Nov 118.05-17.80, Jan 120.30-19.95, March 123.35-22.95, May 126.40-26.00, July 129.10-28.80. Sept untraded. Sales: 225 lots of 100 tonnes. Barley: Nov 117.25-17.00, Jan 116.90-18.85, March 122.00-21.85, May 124.00-23.95, Sept untraded. Sales: 81 lots of 100 tonnes.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yesterday's close	+ or —
Nov	117.90	+0.25	117.00	+0.10
Jan	120.00	[illegible]	118.85	[illegible]
Mar	123.00	[illegible]	121.85	[illegible]
May	126.00	[illegible]	123.95	[illegible]
Sept	114.50	[illegible]	112.85	[illegible]

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent Dec 136.50, Jan-March 140.50 transhipment East Coast sellers. English feed fob Jan-March 126 East Coast sellers. Maize: French Dec 145.50 East Coast seller. Barley: English feed fob Jan-March 124.75, Feb-April 128.50 East Coast sellers. Rest unquoted.

Wheat and barley attempted to improve in quiet trading but met mixed hedge selling at 20p up to return to unchanged levels. New crops were featureless and a little easier, reports Muirpace.

POTATOES

The market was quiet and slipped lower, with weaker Dutch prices contributing to the fall. Prices recovered later to near the highs before they eased again towards the close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Feb	181.50	183.50	—
April	213.80	216.10	215.00-212.0
May	210.00	229.20	220.80-218.5
Nov	77.00	76.80	—
Feb	88.00	87.00	—

Sales: 462 (240) lots of 40 tonnes.

RUBBER

The London physical market opened slightly easier, attracted little interest throughout the day and closed quiet but steady, reported Lewis and Peat. The Kuala Lumpur November fob price for RSS No 1 was 260.0 (261.25) cents a kg and SMR20 217.6 (same).

No. 1 R.S.S.	Yesterday's close	Previous close	Business Done
	£ per tonne		
Dec	810-820	814-816	—
Jan	817-828	816-818	—
Jan-Mch	820-831	815-818	821-818
Apl-Jne	835-836	839-863	835-828
Jly-Sept	848-850	847-848	850-849
Oct-Dec	864-867	861-864	—
Jan-Mch	877-882	874-876	878-877
Apl-Jne	893-897	888-891	—
Jly-Sept	910-915	905-908	—

Sales: 198 (196) lots of 15 tonnes, nil (2) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 81.25p (80.75p); Dec 81.50p (81.25p); Jan 82.00p (81.75p).

SOYABEAN MEAL

The market opened £2 down on follow-through selling, reports T. G. Roddick. Prices continued under pressure on trade and stop-loss selling.

	Yesterday's close	+ or —	Business Done
	£ per tonne		
Dec	174.80-75.56	-8.87	177.50-74.40
Feb	183.50-83.60	-3.90	184.60-83.00
April	187.00-87.30	-1.75	187.00-86.80
June	183.80-85.70	-1.45	—
August	188.00-84.50	-1.20	—
October	169.60-74.00	-0.50	170.60
Dec	181.00-82.80	+1.90	181.00

Sales: 269 (223) lots of 100 tonnes.

SUGAR

No. 4 Contract	Yesterday's close	Previous close	Business done
	£ per tonne		
Dec	148.05	149.25-50.80	150.58-46.50
Mar	150.75	156.25-56.45	160.50-50.25
May	160.75-66.00	164.05-64.35	165.75-61.50

LONDON DAILY PRICE—Raw sugar £135.00 (same) a tonne for Nov-Dec-Jan shipment. White sugar £154.00 (£152.00).

Sales: 2,615 (1,215) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £242.50 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed, Caribbean ports). Prices for November 18: Daily price 9.08 (7.73); 15-day average 8.28 (8.33).

Sugar—(FFr per tonne): Mar 2000/2005; May 2079/2081; Aug 2175/2180; Oct 2245/2265; Dec 2316/2335; Mar 2415/2440.

COTTON

LIVERPOOL—Cotton Spot and Shipment sales amounted to 190 tonnes. Users were again anxious to supplement existing stocks. Further purchases in Middle Eastern qualities were recorded with some support in African growths.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 546.0, 546.5, 546.0-545.5; March 566.5, 568.0, 568.0-566.0; May 584.5, 586.0, 585.0; July 596.0, 596.0, 596.0; Oct 589.0, 590.0, 590.0-589.0; Dec 597.0, 599.0, 599.0-596.0; March 610.0, 614.0, untraded; May 620.0, 625.0, untraded. Sales: 149.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 408, 410, 410-409; Jan 408, 410, 410-409; Mar 410, 413, 414-410; May 420, 422, 422-420; Aug 434, 436, untraded; Oct 434, 437, untraded; Dec 441, 444, 443-441; Jan 441, 444, 441; Mar 448, 453, 448; May 452, 456, 452. Sales: 68.

TEA AUCTIONS

LONDON TEA AUCTION—There were 15,070 packages on offer in this week's sale, including 800 packages in the offshore section. Demand continued very strong and active. Assams gained 10p to 20p. Sylhets advanced 20p and sometimes more. Africans, with keen competition were 15p to 30p dearer. Offshore teas sold readily and were 10p to 15p higher. Quotations: quality 267p a kg (250p), medium 252p a kg (235p), low medium 223p a kg (203p).

INDICES

FINANCIAL TIMES

Nov. 18	Nov. 17	M'th ago	Y'ar ago
283.97	284.51	287.38	252.72

(Base: July 1 1952=100)

REUTERS

Nov. 21	Nov. 18	M'th ago	Y'ar ago
1900.1	1998.9	1810.7	1567.6

(Base: September 18 1931=100)

MOODY'S

Nov. 18	Nov. 17	M'th ago	Yearago
1008.8	1003.5	1050.9	983.7

(Base: December 31 1974=100)

DOW JONES

Dow Jones	Nov. 18	Nov. 17	Month ago	Year ago
Spot	100.06	100.3	135.8	128.56
Fut's	140.92	141.49	141.39	135.19

(December 31 1931=100)

MEAT/FISH

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£7.00, codlings £3.50-£4.50; medium haddock £3.60, small £2.40-£2.80; best small plaice £4.40-£5.00; skinned dogfish (large) £8.00, (medium) £5.00; lemon sole (large) £13.60, (small) £9.00; rockfish £4.20.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported produce: Satsumas—Spania: 3.30-4.90. Clementines—Comican: 3.80-4.20; Spania: 82/120 6.40-6.50, 132/168 6.00-9.20, 182/210 5.00-5.50; Moroccan: 3/4 5.50-5.60. Oranges—Spania: 42/48/54/60 6.50-6.60, 70/80/90 7.00-7.20, 100/110/120 6.80-7.00; Outspan: Valencia Lates 56 7.70, 72 7.70, 88 7.60, 112 6.60, 138 6.30, 150 5.30; Greek: 15 kg 5.00-5.50. Lemons—Italian: carton 5.50-8.00; Cyprus: 10 kg boxes 3.80-4.80; Greek: 10 kg 4.00-4.50, 15 kg 5.50-7.60; Spania: 5 kg 2.30-2.40; Jaffa: 15 kg 4.50-6.25; Outspan: 15 kg 5.00-6.00. Grapefruit—Cuban: 8.40-3.60, pink 5.00-5.50; Jaffa: 38 5.50, 40 5.30, 48 4.90, 56 4.60, 64 4.40. Sunrise 23/32 7.10-7.50; U.S.: Ruby 8.00-10.50; Cyprus: 40/48 4.50-4.60, 56/64 4.00-4.40. Apples—French: Golden Delicious carton 5.50-7.20, Granny Smith carton 8.00-8.60, Starkcrimson carton 6.00-6.50; Italian: 21 kg Golden Delicious 5.50-6.00, Starking 8.50; Hungarian: Red Delicious 19 kg approximately 7.00-7.20; U.S.: Red Delicious new season carton 12.00-13.00. Pears—Italian: Williams 0.23-0.26. Grapes—Italian: per pound, Italian 0.32-0.38; Spanish: Italia 0.32-0.38, Almeria 0.23-0.26, Napoleon 0.25-0.27. Melons—Spanish: 10 kg green 3.00-5.00, 15 kg green 3.50; Israeli: Galia 4.70-5.00, Ogen 4.00-4.50. Bananas—Colombian: 40 lb boxes 10.30-10.50. Avocados—Canary: 3.50-4.00; Israeli: 3.20-3.60. Pineapples—Each: Ivory Coast: 0 0.45, C 0.70-0.75, B 0.90-1.00, A 1.50-1.60; Cape: 9's 0.35-0.40, 8's 0.40-0.45, 7's 0.50-0.55, 6's 0.70-0.75, 5's 0.80-0.85, 4's 1.00-1.10; Ghana: Each 1.40-1.80. Paw Paws—Brazilian: 8.00-8.50. Mangoes—Kenyan: 8.00-8.50; Brazilian: 8.00-8.50. Fennel—Italian: 0 kg 4.00-4.50. ... Spanish: 11 lb 3.00-3.50. Dates—Ibiza: semi-soft per pound 0.40-0.42. Pecans—U.S.: per pound 0.85-0.90. Cranberries—U.S.: pack x 16 6 oz 7.20. Celery: Jersey: 24 x 12 oz 12.20. Celebrase—Jersey: per pound 0.20-0.22. Sprouts—Dutch: per pound 0.20-0.22. Asparagus—Per pound 0.14-0.15. Chillies: 1.90-2.00.

AMERICAN MARKETS

NEW YORK, November 21.

Copper prices moved sharply higher on short-covering and on arbitrage buying against sterling; the rally has to be viewed as technical in nature because it took place despite a further increase in stocks. Heating oil was moderately lower as warmer than normal weather limited demand; the poor demand over-shadowed news of further escalation in the Iran-Iraq conflict. Sugar prices rose strongly on heavy arbitrage along with technical buying and a confirmation that the Philippines would not have adequate stocks to cover their export commitments. Cocoa prices rallied on short-covering and new manufacturer buying as additional reports of small sizing in West Africa continued to come in. Coffee markets were steady on concern about the tightness in deliverable stocks in December. Cotton prices were moderately higher mostly on reports that Pakistan suspended exports; steady trade inquiries provided a firm tone to the market. Grains and soyabeans opened lower on local and technical selling; after downside objectives were met and gaps filled steady buying rallied the markets to new highs for the day; massive professional and stop-loss selling pushed the markets to the lows, reports Heinold Commodities Ltd.

NEW YORK

COCOA 10 tonnes; $/tonnes

	Latest	High	Low	Prev
Dec	2170	2181	2140	2121
March	2190	2200	2160	2133
May	2200	2213	2177	2148
July	2220	2223	2180	2163
Sept	2230	2236	2197	2185
Dec	2240	—	—	2198
March	2250	—	—	2213

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	149.25	49.48	48.50	149.10
March	143.87	44.45	43.50	143.97
May	739.43	39.60	39.30	139.32
July	136.50	36.75	36.60	136.23
Sept	134.19	—	—	133.83
Dec	131.51	—	—	731.05
March	129.60	—	—	729.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	63.20	—	—	62.00
Dec	63.30	63.40	62.05	62.25
Jan	63.96	63.65	63.60	62.90
March	65.30	65.40	64.10	64.25
May	66.60	66.70	66.45	65.56
July	67.96	68.10	68.90	66.90
Sept	69.30	69.60	68.20	68.30
Dec	71.35	71.00	76.40	76.35
Jan	72.05	—	—	71.06
March	73.45	73.10	73.10	72.40

COTTON 50,000 lb; cents/lb

	Latest	High	Low	Prev
Dec	79.00	79.50	79.00	76.27
March	81.13	81.47	80.95	81.05
May	82.40	82.56	82.20	82.30
July	82.76	82.77	82.36	82.50
Oct	77.00	76.86	76.80	76.67
Dec	75.20	75.20	75.00	74.94
March	76.70	—	—	76.00
May	76.50	—	—	76.50

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	376.1	374.3	374.2	375.5
Dec	376.7	377.0	373.3	376.2
Feb	382.2	383.0	379.6	382.3
April	388.8	389.3	386.0	388.4
June	395.4	395.5	392.0	394.8
Aug	402.0	401.5	398.5	401.3
Oct	408.5	408.0	407.9	408.0
Dec	415.7	415.0	412.1	414.9
Feb	382.2	383.0	379.5	382.5
April	429.9	—	—	429.0
June	437.5	—	—	436.0
August	445.4	443.0	441.0	443.5
Jan	379.7	—	—	379.8

HEATING OIL 42,000 U.S. gallons; cents/U.S. gallons

	Latest	High	Low	Prev
Dec	80.20	80.55	79.90	80.44
Jan	78.85	79.60	78.60	79.27
Feb	77.76	78.30	77.50	78.07
March	75.55	76.20	75.30	75.80
April	74.10	74.30	73.85	74.20
May	73.50	73.80	73.40	73.40
June	73.50	73.50	73.50	73.40
July	76.00	—	—	73.40
August	74.00	—	—	73.50

ORANGE JUICE 15,000 lb; cents/lb

	Close	High	Low	Prev
Jan	122.90	23.75	22.90	123.05
March	121.15	22.20	21.00	721.40
May	120.40	20.50	20.50	120.80
July	120.00	20.50	20.40	120.40
Sept	118.25	—	—	110.60
Nov	118.40	—	—	178.75
Jan	114.76	—	—	115.00
March	114.76	—	—	715.00

PLATINUM 50 troy oz; $/troy oz

	Close	High	Low	Prev
Dec	388.3	—	—	383.9
Jan	390.3	391.0	381.0	385.0
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs, cents/lbs.

	Close	High	Low	Prev
Jan	9.60	9.00	8.77	8.93
March	10.08	10.10	9.27	8.35
May	10.12	10.12	9.60	9.62
July	10.43	10.43	9.95	9.93
Sept	10.64	10.50	10.20	10.14
Oct	10.87	10.87	10.38	70.37
Jan	11.15	10.65	10.65	10.65
March	71.85	11.80	11.32	11.36

CHICAGO

LIVE CATTLE 40,000 lb; Cents/lb

	Close	High	Low	Prev
Dec	62.20	62.22	61.82	62.05
Feb	62.37	62.50	62.12	62.32
April	64.20	64.30	64.05	64.15
June	65.47	65.50	65.32	65.40
August	64.40	64.40	64.17	64.27
Oct	62.30	62.60	62.30	62.27

LIVE HOGS 30,000 lb; Cents/lb

	Close	High	Low	Prev
Dec	41.92	42.55	41.60	42.02
Feb	46.17	46.65	46.12	46.20
April	45.77	45.97	45.65	45.52
June	61.30	51.52	51.25	51.17
July	52.75	52.87	52.40	52.65
August	52.30	52.65	52.30	52.27
Oct	51.47	51.65	51.40	52.60
Dec	53.00	53.65	52.90	52.90
Feb	52.97	53.60	52.76	53.00

MAIZE 5,000 bu min; cents/56 lb-bushel

	Close	High	Low	Prev
Dec	342.0	345.4	342.0	346.4
March	347.4	345.0	341.4	346.2
May	340.9	343.8	340.4	344.5
July	337.4	340.4	337.4	341.0
Sept	308.4	310.4	308.2	310.8
Dec	288.0	291.0	288.0	290.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	59.40	59.95	58.70	58.90
March	59.67	59.95	59.00	59.15
May	61.30	51.65	50.85	61.12
July	62.77	62.70	61.95	81.97
Aug	60.92	61.37	50.85	50.72

SOYABEANS 5,000 bu min; cents/60 lb-bushel

	Close	High	Low	Prev
Jan	763.0	781.0	763.0	781.0
March	780.0	797.0	780.0	797.0
May	791.0	807.4	791.0	806.0
July	792.0	809.0	792.0	808.0
August	775.0	790.0	773.0	790.0
Sept	726.4	738.0	724.0	733.0
Nov	679.0	686.0	678.0	682.0
Jan	694.0	698.0	682.0	696.0

SOYABEAN MEAL 100 tons; $/ton

	Close	High	Low	Prev
Dec	216.4	221.2	216.0	221.0
Jan	219.0	223.0	218.2	223.5
March	220.4	224.5	220.0	224.6
May	220.4	224.2	220.0	225.6
July	220.0	224.5	220.0	225.0
August	215.0	219.0	215.0	220.0
Sept	206.0	217.0	206.0	212.0
Oct	192.0	192.2	190.0	190.0
Dec	191.0	193.0	190.0	191.1
Jan	790.0	191.0	190.0	192.0

SOYABEAN OIL 60,000 lb; cents/lb

	Close	High	Low	Prev
Dec	25.38	25.78	25.36	25.90
Jan	25.55	26.00	25.55	26.10
March	26.00	26.50	26.00	26.60
May	26.35	26.55	26.35	26.92
July	26.50	27.15	26.50	27.10
August	26.60	26.80	26.60	26.90
Sept	25.90	25.90	25.40	25.90
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60 lb-bushel

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 18.00 (same) cents per pound. New York tin 597.0-607.0 (598.0-608.0) cents per pound.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound at eight-month low

Sterling lost ground in late foreign exchange trading, falling to its lowest level against the dollar since late March. There was no new factor behind the decline, apart from changing market sentiment and speculation that the pound could weaken further before the end of the year.

The dollar showed little change following a rise in M1 money supply well within market expectations. A major factor now underpinning the U.S. currency is the passing by Congress of a bill raising the U.S. debt ceiling. The Administration is now free to increase borrowing to fund the very large Budget deficit, and the bunching of Treasury auctions over the next month or so is expected to keep interest rates firm.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. October average 1.4977. Trade weighted index unchanged at 83.6, after falling to 83.5 at the opening and noon, compared with 84.1 six months ago. The pound has drifted lower against the dollar, but remained very firm in terms of Continental currencies. This trend has been encouraged by unsettled conditions in the Middle East and the threat to Western oil supplies, plus indications that London interest rates are likely to stay firm.

Sterling lost 60 points to close at $1.4635-1.4645. It opened at $1.4700-1.4710, and traded quietly around $1.4675 to $1.4700 for most of the day, before falling to a low of $1.4620-1.4630 in the late afternoon on selling out of the U.S. The pound also fell to DM 3.95 from DM 3.98; FFr 12.0375 from FFr 12.0025; SwFr 3.2025 from SwFr 3.2175; and Y344.75 from Y347.25.

DOLLAR — Trade-weighted index (Bank of England) 128.8 against 122.7 six months ago. The dollar has been appreciating steadily recently, and is once again threatening the record levels touched in August. Growing tension around the world is supporting the currency, but an equal factor is speculation that a surge in money supply will combine with heavy Government borrowing and inflationary pressures from strong economic recovery to prevent an easing in Federal Reserve monetary policy.

The dollar closed unchanged at FFr 8.2275 against the French franc, but eased to DM 2.7045 from DM 2.7060 against the D-mark; SwFr 2.1870 from DM 2.1875 in terms of the Swiss franc; and Y235.50 from Y236.10 against the Japanese yen.

D-MARK — Trading range against the dollar in 1983 is 2.7315 to 2.3320. October average 2.6032. Trade weighted index 125.0 against 129.0 six months ago. The D-mark is losing ground against the dollar once again and could threaten the 10-year low touched in August. Although German interest rates are relatively firm, partly reflecting concern about money supply growth, expectations that U.S. interest rates will remain high, coupled with Middle East tension, have returned the dollar to favour.

JAPANESE YEN — Trading range against the dollar in 1983 is 246.50 to 226.80. October average 232.54. Trade weighted index 153.5 against 148.9 six months ago.

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

£ Forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

Belgian rate is for convertible francs. Financial franc 81.25-81.45. Six-month forward dollar 0.52-0.57c dis. 12-month 1.10-1.20c dis.

THE DOLLAR SPOT AND FORWARD

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 55.57-55.62.

OTHER CURRENCIES

* Selling rates.

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

*CS/SDR rate for Nov 18: 1.29998.

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short term 9 5/8-9 3/4 per cent; 7 days 9 5/8-9 3/4 per cent; one month 9 3/4-9 7/8 per cent; three months 9 7/8-10 per cent; six months 10-10 1/8 per cent; one year 10 1/8-10 1/4 per cent. Long-term Eurodollar two years 11 1/8-11 1/4 per cent; three years 11 1/2-11 5/8 per cent; four years 11 3/4-12 1/8 per cent; five years 12 1/8-12 1/4 per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days notice.

FINANCIAL FUTURES

Eurodollars firm

Eurodollars rose in the London International Financial Futures Exchange yesterday but showed little movement after an early firmer trend. Values were marked up in reaction to a softer Fed funds rate on Friday with a $2.2bn rise in U.S. M1 money supply taken as no worse than expected. Sentiment was also improved by the release of September's Federal Open Market Committee minutes which showed that the Fed has implemented a slight easing in its credit stance, giving rise to hopes that this attitude may be continued.

There appeared to be little initial reaction to the end of Government delays in raising the U.S. debt ceiling and the possibility of an accelerated funding programme before the end of the year. It remains unclear as to how this could affect the Fed's stance with regard the supply of sufficient money market liquidity. The December Eurodollar price opened at 90.20 and rose to a high of 90.23 before closing at 90.21, up from 90.18.

Gilt prices opened firmer, helped later in the day on news of the Treasury's latest tap issue. Dealers also noted a firmer trend in U.S. bond issues. While sterling's weaker performance may have given some cause for concern, the underlying trend still appeared to be bullish with the December price opening at 109—24 up from Friday's close of 109-17 and closing at the day's high of 110.08.

Three-month sterling futures were virtually unchanged, reflecting a rather static cash market. The March price rose to 90.53, having unchanged from Friday at 90.52.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

DEUTSCHE MARKS DM125,000 $ per DM

STERLING (25,000 $ per £)

SWISS FRANCS SwFr 125,000 $ per SwFr

JAPANESE YEN Y12.5m $ per Y100

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

CERT. DEPOSIT (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STERLING (IMM) $ per £

GNMA (CBT) $100,000 32nds of 100%

MONEY MARKETS

Firmer tone in London

Interest rates had a slightly firmer tone on the London money market yesterday, reflected in a slight rise in discount houses' bill rates. The buying rate for three-month eligible bank bills rose to 8 13/16-8 7/8 per cent from 8 3/4 per cent, but sterling interbank rates were little changed apart from an easing at the short-end of the market, as a result of the comfortable day-to-day credit conditions. Seven-day money eased to 9 per cent from 9 1/8 per cent, but three-month funds were unchanged at 9 5/16 per cent.

The Bank of England forecast a money market shortage of £50m, but this was later revised to £100m. Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills from Friday's auction drained £449m, but this was mostly offset by Exchequer transactions adding £215m to liquidity, and a fall in the note circulation of £240m.

Total help provided by the authorities was £116m. Before lunch the Bank of England bought £14m bank bills in band 2 (15-33 days maturity) at 9 per cent, and in the afternoon purchased another £92m bank bills in band 2 at 9 per cent. Late assistance of £10m was also given to the market.

In Frankfurt call money eased slightly to 5.535 per cent from 5.55 per cent, with the market more relaxed than last Thursday when call money was bid at 5.60 per cent. Banks are reported to hold a surplus of funds over expected month end minimum reserve requirements of DM 62.9bn. Conditions should also be helped by a relatively small amount of tax payments due during the rest of the month, while liquidity remains boosted by two concurrent security repurchase agreements adding a total of DM 12.1bn. The first of these will expire next Monday, draining DM 7.5bn, but may not be replaced if market conditions remain comfortable.

In Brussels the interest rate on one-month Treasury bills was increased by 0.3 per cent to 9.3 per cent, and on two-month bills by 0.25 per cent to 9.5 per cent. But the Belgian National Bank left three-month bills at 9.5 per cent. The Belgian franc is the weakest member of the European Monetary System, and may take a further opportunity to support the currency at today's auction of four-month fondes des rentes certificates, by letting the rate rise from the present level of 9.65 per cent.

In Tokyo interest payment on Government bonds led to excess liquidity in the money market at the start of the week. This was estimated at Y700bn to Y800bn yesterday, and is expected to increase today, but after a National Holiday Wednesday payment of salaries is expected to create shortages in the region of Y700bn, although conditions are expected to improve to a shortage of Y250bn on Friday, and Y200bn Saturday.

UK clearing bank base lending rate 9 per cent (since October 4 and 5)

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. November 21)

3 months U.S. dollars	
bid 8 15/16	offer 8 15/16

6 months U.S. dollars	
bid 10	offer 10 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period October 5 to November 1 1983 (inclusive) 9.383 per cent. Local authorities and finance houses seven days' notice, others seven days fixed. Finance Houses Base Rates (published by the Finance Houses Association) 10 per cent from November 1 1983. London and Scottish Clearing Bank Rates for lending 9 per cent. London Deposit Rates for sums at seven days notice 5 1/2 per cent. Treasury Bills: Average tender rate of discount 8.8631 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9 1/2 per cent; one-six-month 9 1/2 per cent; six-12-month 10 per cent. Under £100,000 9 1/4 per cent from October 9. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK

Treasury Bills

Treasury Bonds

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 21 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

* Rate is the transfer market (controlled). †† Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector debt and essential imports. (5) Government controlled for non-essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (X), WATLING STREET, LONDON EC4M 9AA NOT LATER THAN 10.00 AM ON THURSDAY, 24TH NOVEMBER 1983, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON WEDNESDAY, 23RD NOVEMBER 1983

ISSUE BY TENDER OF £500,000,000

2½ per cent EXCHEQUER STOCK, 1986

MINIMUM TENDER PRICE £84.50 per cent

PAYABLE IN FULL WITH TENDER

INTEREST PAYABLE HALF-YEARLY ON 21ST MAY AND 21ST NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. The Stock will be repaid at par on 21st November 1986.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 21st May and 21st November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 21st May 1984 at the rate of £1.2361 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (X), Watling Street, London EC4M 9AA not later than 10.00 AM ON THURSDAY, 24TH NOVEMBER 1983, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 PM ON WEDNESDAY, 23RD NOVEMBER 1983. Tenders will not be revocable between 10.00 am on Thursday, 24th November 1983 and 10.00 am on Tuesday, 29th November 1983.

Each tender must be for one amount and at one price. The minimum price below which tenders will not be accepted, is £84.50 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

Tenders must be accompanied by payment in full, i.e. the price tendered (minimum of £84.50) for every £100 of the nominal amount of Stock tendered for. A separate cheque must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100–£1,000	£100
£1,000–£3,000	£500
£3,000–£10,000	£1,000
£10,000–£50,000	£5,000
£50,000 or greater	£25,000

Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers of less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.

Letters of allotment in respect of Stock allotted being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for less than £100 Stock. In the event of partial allotment, or of tenders at prices above the allotment price, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid with tender will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock allotted will render the allotment of such Stock liable to cancellation. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum may, however, be charged on the amount payable in respect of any allotment of Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA, or by any of the Branches of the Bank of England, on any date not later than 11th January 1984. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment accompanied by a completed registration form, may be lodged for registration forthwith and in any case they must be lodged for registration not later than 13th January 1984.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St Vincent Place, Glasgow G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast BT1 5BN; at Mullens & Co, 15 Moorgate, London EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
21st November 1983

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (X), Watling Street, London EC4M 9AA not later than 10.00 A.M. ON THURSDAY, 24TH NOVEMBER 1983, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow G1 2EB) not later than 3.30 PM ON WEDNESDAY, 23RD NOVEMBER 1983.

ISSUE BY TENDER OF £500,000,000

2½ per cent Exchequer Stock, 1986

MINIMUM TENDER PRICE £84.50 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 21st November 1983 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:

Amount of Stock tendered for	Multiple
£100–£1,000	£100
£1,000–£3,000	£500
£3,000–£10,000	£1,000
£10,000–£50,000	£5,000
£50,000 or greater	£25,000

1. NOMINAL AMOUNT OF STOCK £

Sum enclosed, being the amount required for payment in full, i.e. the price tendered (minimum of £84.50) for every £100 of the nominal amount of Stock tendered for (shown in Box 1 above):—

2. AMOUNT OF PAYMENT (a) £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £84.50:—

3. TENDER PRICE (b) £ : p

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

SIGNATURE ....
of, or on behalf of, tenderer

.... November 1983

PLEASE USE BLOCK LETTERS

MR/MRS/MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS:—		
POST-TOWN	COUNTY	POSTCODE

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed. Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

b The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

INTERNATIONAL CAPITAL MARKETS

Warburg looks to Akroyd for expansion

By Mary Ann Sieghart in London

LONDON merchant bank S. G. Warburg was the lead manager of the first ever Eurobond 20 years ago – a $15m, 5½ per cent issue for an Italian motorway construction company. Last week it announced it is to celebrate its anniversary with the acquisition of a 29.9 per cent stake in London stock jobbers Akroyd & Smithers. Warburg claims one of the main reasons for this move is to expand its Eurobond activities.

The Eurobond market is divided into two sectors: the primary market, which involves the bringing of new issues to the market; and the secondary market, in which "seasoned" or older bonds are traded, a bit like the trading of shares on a stock exchange.

In the primary market, Warburg is a giant. Since the market opened in 1963, the bank claims to have led (or been co-lead manager with other banks) 862 issues with a nominal value of $56bn. So far this year, Warburg is running fifth in the lead-management "league tables," which are traditionally dominated by U.S. banks. No other British bank comes close to it in this field.

In the secondary market, by contrast, the bank does not have such a large operation. It is strong in the trading of sterling-denominated bonds, but more selective on the dollar side, which makes up more than half of all Eurobonds.

It is on this side of the market that Akroyd might prove useful. The firm has had long experience in market-making, particularly in gilt-edged stock and equities.

Akroyd is, however, a relative newcomer to the Eurobond market. It has been involved for five years and has only eight traders on its desk. Like Warburg, it is active in sterling bonds, but, on the dollar side, it tends to specialise in issues from UK borrowers and zero-coupon bonds (those which pay no interest but provide a substantial capital gain at the end of their life).

It seems, therefore, that the two operations are more supplementary than complementary in that they already operate in much the same fields. Given that Warburg does not plan to combine them, at least in the short term, it is not immediately obvious that either Eurobond operation will reap much benefit from the association.

As one senior Eurobond new issue manager from a U.S. house says, "Warburg are perceived as one of the powers in the market on the new issue side. But they're not going to beef up their dollar trading abilities by buying Akroyd."

Warburg sees the acquisition, though, from a more international point of view. "We expect over the longer term that these markets will extend into the U.S. where Akroyd already has a small presence," said a director. "We would expect to trade securities internationally from there."

Warburg would also like the joint venture to become involved in the U.S. domestic bond market, where government municipal and corporate securities are traded. If, as may happen in the next year or two, foreigners are allowed to buy U.S. bonds without having 30 per cent withholding tax deducted from their interest payments, then London-based Eurobond houses will benefit greatly from a U.S. presence.

But if the main thrust of Warburg's development is to be towards the U.S., the predominantly UK-based Akroyd & Smithers seems an odd choice for a partner.

Akroyd's involvement in the UK gilt and equity markets seems, from an outsider's point of view, to be far more attractive than its tiny New York office. If and when dual capacity on the London Stock Exchange is introduced, Akroyd's market-making skills would prove very useful to Warburg.

But the bank rejects this explanation: "We do not expect that any changes in London will occur for a very long time," it says.

It is the international market-making skills that are attractive: "We believe that market-making outside London will increasingly become very important," says the director. "A firm that is strong on trading will increasingly be strong on the new issue side."

Pru offers AT&T option

BY OUR EUROMARKETS STAFF

PRUDENTIAL Insurance company of the U.S. produced a timely deal in the Eurodollar bond market yesterday, the first day of trading of the new American Telephone and Telegraph (AT&T) shares on the New York stock exchange.

The Pru, through its overseas funding subsidiary, is raising $150m with a 10-year bond paying 10⅛ per cent at par. Each $10,000 bond carries seven warrants, each of which will be exercisable into 10 "new" AT&T shares and one share of each regional operating company. Under the terms of the break-up of the group, this package is equivalent to 10 "old" AT&T shares.

The warrants have a five-year life and the indicated conversion premium is 13–17 per cent, but will be fixed after the close of the New York Stock Exchange tomorrow. The deal is being led by Prudential-Bache Securities with Hambros Bank, Credit Suisse, First Boston and Salomon Brothers.

Many Eurobond houses were baffled by it at first, but the combination of two popular names sent the bond price up to 99¾ in the morning. By the afternoon, however, the package was trading at a 1¼ point discount, still inside its 1½-point selling concession. The warrants were trading on their own at about $130 each, giving an indicated yield on the stripped bond of around 11.80 per cent.

BHF Bank bond average		
Nov 21 98.682		Previous 98.729
High 102.017	1983	Low 97.899

Elsewhere in the dollar sector, DG Bank is offering 100,000 warrants into a seven-year, 11⅞ per cent bond at par. The deal is led by DG Bank and Manufacturers Hanover, and the warrants, which have a six-month life, were offered at $17 each. However, most market participants were unenthusiastic, claiming the six-month exercise period was too short.

A $75m floating rate note for European American Bank met with a much better reception. The 10-year bond pays ¼ per cent over the mean of the six month London interbank bid and offered rate at par and is led by European Banking Corporation with its main shareholders: Amro Bank, Credit Suisse First Boston, Deutsche Bank, Société Générale and Société Générale de Banque. It traded immediately around its par price.

Veba Oil, the German energy company, is raising $70m as one tranche of a two-tranche equity-related deal; another DM 300m is coming from the German domestic market. The dollar part has a 10-year life and an 8 per cent coupon at par and is led by Dresdner Bank.

Each bond carries two warrants – one to buy one of the borrower's shares and one to buy 20. The exercise price is DM 168 and yesterday the shares stood at DM 162. The bond soared to a premium of at least two points.

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FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for November 21.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amax O/S Fin 10¼ 90	100	93½	94	+0⅛	[illegible]	11.66
Australia Comm 11⅛ 90	100	100¾	101¼	0	[illegible]	11.03
Australia Comm 11½ 95	300	96⅝	96⅞	–0⅛	[illegible]	12.04
Australia Comm 11⅝ 98	100	97⅛	97⅝	0	[illegible]	[illegible]
Bank of Tokyo 11 90	100	95	95½	+0⅛	[illegible]	[illegible]
British Col Hyd 10¼ 00	200	96⅝	97⅛	–0⅛	[illegible]	[illegible]
Britoil Fin 11⅞ 90	125	99⅞	100⅜	+0⅛	[illegible]	[illegible]
Canada 10⅞ 88	500	98⅝	98⅞	+0⅛	[illegible]	[illegible]
C.C.C.E. 11¾ 97	100	92⅞	93⅜	0	[illegible]	[illegible]
C.C.C.E. 12⅝ 95	75	98⅝	99⅛	–0⅛	[illegible]	[illegible]
Can Imp Bk Com 11 00	75	92⅞	93⅛	–0⅛	[illegible]	[illegible]
Citicorp O/S 10⅞ 00	100	91⅝	92⅛	–0⅛	[illegible]	[illegible]
Citicorp O/S 11¾ 90	100	96⅞	97⅜	–0⅛	[illegible]	[illegible]
Cred Suisse BAH 10½ 00	150†	98½	99	e	[illegible]	[illegible]
Den Norsk Cred 11⅛ 93	50	93	93½	0	[illegible]	[illegible]
E.C.S.C. 11⅞ 00	75	99¼	99⅝	0	[illegible]	[illegible]
E.D.F. 11⅛ 93	100	92⅜	92⅞	–0⅛	[illegible]	[illegible]
E.E.C. 11 07	350	98½	99	+0⅛	[illegible]	[illegible]
E.I.B. 10¾ 93	200	91⅞	92⅜	+0⅛	[illegible]	[illegible]
E.I.B. 11 01	125	95⅛	95⅝	+0⅛	[illegible]	[illegible]
Eksportfinans 11½ 90	100	96⅛	96⅝	0	[illegible]	[illegible]
Electrolux 10½ 90	50	92	92½	0	[illegible]	[illegible]
Enserch Fin 11⅝ 93	100	95⅝	96⅛	–0⅛	[illegible]	[illegible]
Fuji Int Fin 10⅞ 90	100†	92⅞	93⅜	–0⅛	[illegible]	[illegible]
GMAC O/S Fin 11⅞ 00	100	98¾	99¼	0	[illegible]	[illegible]
Honeywell Int 10¾ 90	100	96⅝	97⅛	–0⅛	[illegible]	[illegible]
Indust Bk Japan 10⅞ 88	100	96⅞	97⅜	0	[illegible]	[illegible]
Indust Bk Japan 11⅛ 91	100	98½	99	–0⅛	[illegible]	[illegible]
Japan Air Lines 10⅞ 00	42	92	92½	–0⅛	[illegible]	[illegible]
Japan Air Lines 11 93	75	94¾	95¼	–0⅛	[illegible]	[illegible]
J.C. Penney 11⅞ 90	100	100⅛	100⅝	–0½	[illegible]	[illegible]
J. P. Morgan 11⅜ 90 WW	150	97	97½	0	[illegible]	[illegible]
Levi Strauss Int 11 00	75	96½	97	+0⅛	[illegible]	[illegible]
L.T.C.B. 10¾ 90	100	92⅞	93⅜	–0⅛	[illegible]	[illegible]
L.T.C.B. 12½ 90	85	101¼	101¾	0	[illegible]	[illegible]
Merrill Lynch 10⅝ 90	200	93⅞	94⅜	+0⅛	[illegible]	[illegible]
Mitsubishi Corp 10½ 00	100	92½	94	–0⅛	[illegible]	[illegible]
Mitsubishi Fin 11¾ 90	100	95⅞	96⅜	–0⅛	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 02	15	106⅛	106⅞	+0½	+1	7.93
E.I.B. 8¼ 92	15	103	104	+0⅛	+0½	7.57
Int-Am Dev Bk 7⅝ 93	15†	99⅝	100⅝	–	–	7.84
New Zealand 7⅝ 89	15	103	103½	+0¼	+0⅝	6.92
World Bank 8⅝ 92	20	103⅞	104½	0	0	7.67

SWISS FRANC STRAIGHTS (end of list)	Issued	Bid	Offer	Change on day	Change on week	Yield
New Brunswick 5¾ 93	100	101¾	102	–0⅛	e	5.50
Nissho Steel 6⅛ 91	100	100	100¼	0	+0⅛	6.22
Oster Draukraft 6 93	100	103	103¼	+0⅛	+0⅛	5.57
Oster Post 6⅛ 91	100	102½	102	+1⅛	+0⅛	5.68
Quebec Province 5⅝ 93	100	99⅝	99⅝	+0¼	+0⅛	5.69
Sumitomo Heavy Ind 6 91	100	100¾	100½	0	+0¼	5.94
Tokyo Elec Power 5½ 91	100	102½	102¾	+0⅛	+1	5.45
Trisec Corp 6⅛ 93	100	99¼	99½	–0⅛	+0¼	6.21
World Bank 6 95	100	98¼	98½	–0½	–0¼	6.20

Av. price changes: on day +⅛ on week +¼

The remaining sections of the list (U.S. dollar straights continued, Deutsche Mark straights, Swiss franc straights, other straights, floating rate notes, convertible bonds) are [illegible].

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FINANCIAL TIMES SURVEY

LUXEMBOURG

BANKING, FINANCE AND INVESTMENT

IN THE 10 years since the collapse of its steel industry *Luxembourg has come to rely* on banking as its economic mainstay.

Double digit growth in assets over the past decade has left the Grand Duchy with a network of 115 banks, most of them foreign. Together they contribute between 60 and 70 per cent of all corporate taxes collected by the Government. This is about 15 per cent of Luxembourg's entire Government revenue.

Now the banks themselves are at a crossroads. Competition *from other offshore centres* — such as New York and Singapore — is growing. In Luxembourg itself business volume has stagnated in the wake of the developing country debt crisis and the recession in Western Europe.

True, anyone taking a casual stroll around the centre of Luxembourg City today might come away with a different impression. There still seem to be almost as many banks as there are pork butchers and patisseries; and the bankers behind their plate glass windows on the Boulevard Royal are not as glum as they might be.

Record levels

For one thing, they say, profits have recovered from the lows plumbed in 1980 and are now headed towards record levels for the second year *running*. Mr Pierre Jaans, Director of the newly formed Monetary Institute, estimates that total operating earnings of the banking sector in the first half of this year rose to LuxFr 32bn from LuxFr 29bn in the *corresponding period of* last year.

For another thing, bankers in Luxembourg are now waxing more lyrical than ever before about the centre's potential to attract business from wealthy private clients. To diversify away from wholesale money *market business into investment* banking is a long-cherished dream of many a Luxembourg banker.

Until now, however, most of the so-called Eurobanks that flocked to Luxembourg during the 1970s have been slow to put this ideal into practice. Most of them have yet to generate more than a trickle of income from the *management of other* people's wealth. For them Luxembourg remains primarily what it always has been—a money market centre geared to interbank business and the financing of European corporations.

This year's record profits are based mainly on old business. Helped by the fall in interest rates last year, fixed rate lending, which was *such* a problem in 1980 and 1981, is now yielding a healthy return. Moreover, Luxembourg's generous policy towards the establishment of loss provisions against doubtful loans has given the banks billions *of francs in what* are effectively interest-free deposits.

Sooner or later these older fixed rate loans will run off the books and the provisions will have to be unwound as the doubtful loans actually turn sour or are repaid. Then Luxembourg will be left with the stark fact that its traditional business has peaked.

At the end of September total assets in the banks stood at LuxFr 6,527bn, an increase of 7.5 per cent over their level of a year earlier. Over the past year business volume has thus been growing at only a quarter of the 29.7 per cent pace set as recently *as* 1979. The Grand Duchy's share of the total Euro*market*, roughly seven per cent a decade ago, has now stabilised at around 10 per cent.

Senior government officials in Luxembourg do not shrink from admitting the importance of banking to the Grand Duchy's economy. It is not, says Deputy Finance Minister Ernest Muhlen, just a question of the tax they pay but also one of employment. The banks employ some 8,700 people, or more than 5 per cent of the workforce. These jobs *would be sorely missed* if they decided to pack up and leave—and Luxembourg is a small country with no indigenous need for a large banking system.

Moreover, adds Mr Muhlen: "It is the fate of small countries to rely on monolithic industries." First Luxembourg had steel; now it has the banks. Faced with *a potential crumbling* of this second monolith the Government is determined to give banking a fresh impetus.

In recent years the Government has been doing all it can to make banking more attractive in Luxembourg. It has signed about 20 double taxation agreements with other countries, most recently with Morocco, to make the booking of loans in Luxembourg more attractive. It has adopted such a generous policy towards loan-loss provisions that many banks in Luxembourg have actually stopped declaring taxable net profits. Following last year's devaluation of the Belgian franc (to which the Luxembourg currency is linked on a parity basis) the Government has also freed banks whose capital is denominated in other currencies from the imposition of local taxes on book profits arising from the effect of currency changes in their balance sheets.

Its financial sector is Luxembourg's economic mainstay. Recession has thinned business volume—though profits are looking better. Retail banking is seen as attractive, and fitting well into the concept of a diversified financial centre

Bent on gaining fresh impetus

BY PETER MONTAGNON

Boosting appeal

But the greatest efforts have been concentrated on boosting Luxembourg's appeal as a centre for private client banking. Gold trading in Luxembourg is free of value-added tax; bank secrecy rules have been firmly tightened; holding company law has been changed to encourage the formation of investment funds; and this year Luxembourg has also altered its legislation to permit banks to carry fiduciary deposits from large customers on an off-balance sheet basis. This will make local banks directly competitive with their Swiss counterparts, which have enjoyed huge inflows of such fiduciary deposits in recent years.

Luxembourg is also trying to woo related industries such as insurance, where Mr Muhlen is particularly proud of one newcomer, Takafol Company. This is an insurance company with Saudi backing whose investment policy is geared to the principles of the Koran.

It all adds up to a dream of Luxembourg as a diversified financial centre with the accent on investment banking that will generate free income without the need for a high capital gearing. But how will the banks respond?

"Don't overplay this," warns one senior German bank executive. "Too much has been written already in the Press about the possibilities of private banking." Even local bankers with long experience of investment banking in the Grand Duchy are cautious about the potential of investment banking as a panacea for Luxembourg's problems. Says Mr Edmond Israel, a director of Banque Internationale: "Investment banking will not predominate but it will largely compensate for a reduction in the activity of wholesale banking."

On the other hand Luxembourg has already established some of the infrastructure needed to make it into a fully fledged investment banking centre. It plays host to Cedel, one of the two large clearing houses in the Eurobond market. More than half of all Eurobond issues are quoted on its stock exchange and Luxembourg banks appeared as co-managers *in nearly a quarter* of all Eurobonds issued during the first half of 1983.

Absence of withholding tax means that Belgian depositors have a long tradition of dealing with Luxembourg banks, particularly the old-established local institutions such as Kredietbank, Banque Générale and Banque Internationale. Some bankers argue that it is now only a very short step towards a more general development of such business.

Salary costs and other overheads are much lower in Luxembourg than in Switzerland—one Luxembourg executive whose bank also has a branch in Geneva reckons that the Grand Duchy is actually 30 per cent cheaper. This means that Luxembourg banks can afford to charge lower fees and give more time than their Swiss competitors to their customers.

Communications

But there are still some serious drawbacks. Communications between Luxembourg and the outside world are not especially easy. Aeroflot calls in at Luxembourg's tiny airport on its way down to Havana from Moscow but that is never likely to yield much in the way of private customer business. Most Luxembourg bankers are resigned to the fact that they will never attract the really large money that now flows to Switzerland, where the hotels are more luxurious and the shops better stocked.

Instead they will be happy if they can attract a growing number of moderately wealthy customers from Belgium and neighbouring Germany. To ordinary mortals moderate wealth in this context usually means customers prepared to hand over at least $100,000. Banque Internationale is so confident that they exist in large numbers that it has recently launched an active publicity campaign in the German Press to seek them out.

But this also means that the market for private banking business in Luxembourg is likely to remain a regional one with an absolute limit on potential overall volume. Banks will also have to find more staff to deal with a larger number of customers. In short, they will almost certainly never be able to rely solely on earnings from private customer business to justify their activities in Luxembourg.

Faced with this, some banks will almost certainly leave. Some, like American Fletcher, European American and Landesbank Stuttgart, have already taken this decision, Philadelphia National Bank is expected to leave next year—and there is no doubt that defections such as these do worry the authorities.

But Mr Jaans sees two main consolations in the present trend. First he points out that the Grand Duchy's banking system is becoming less dependent on the interbank market as a source of funds. In 1979 customer deposits made up only 16 per cent of total liabilities. Now that share has risen to 20 per cent—banks simply cannot walk away from their customers.

Similarly the efforts now going into private banking are also a stabilising influence, he says. They mean that the banks will become larger employers and "it is not easy for large employers to leave."

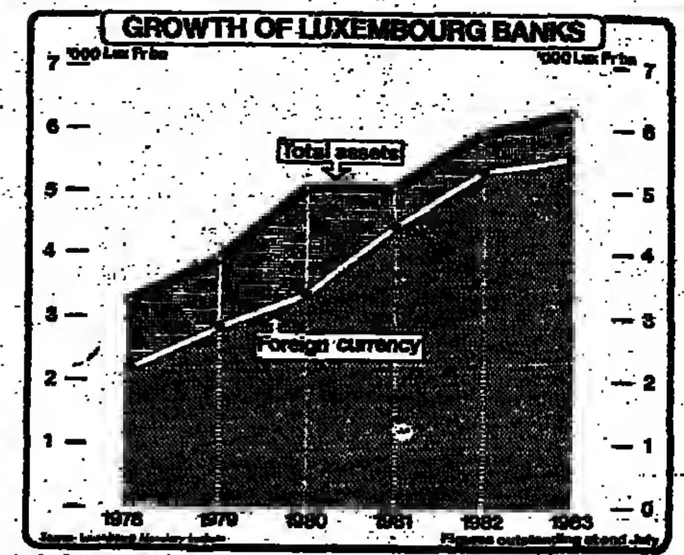
A German banker puts it another way. "We're like Avis," he says. "We try harder—because we have to."

Scenic landscape and old-world surroundings form the environment for one of Europe's busiest financial communities.

CONTENTS

LUXEMBOURG BANKING II

Concentration on foreign business



Structure

PETER MONTAGNON

"DID YOU know," said a French banker in a hushed and confidential tone, "that the Bank of China is actually very active in private customer business?"

This image of a Communist Chinese bank wooing deposits from rich individuals seems strangely incongruous even in Luxembourg, which these days is only too well aware of the importance of such business to its long-established banking industry.

Yet at closer sight the Bank of China's business does make a lot of sense. Bankers in Luxembourg say it uses its operation there to collect money from overseas Chinese in Europe who want to send funds to relatives at home. As such, its purpose is to organise capital imports on behalf of its parent in Beijing. Together with the opportunity of managing China's growing foreign exchange reserves, this makes its presence in Luxembourg readily justifiable.

Less homogeneous

The point behind this example of one bank's experience in Luxembourg is that it shows how the banking industry there is less homogeneous than many people believe. It is all too easy to gain the impression that Luxembourg is simply just another offshore centre. In fact many of its 115 banks are there for a specific reason and some, such as British clearing banks which might have come just to be represented in the third largest Euromarket centre, have always preferred to stay at home.

Others banks in Luxembourg have successfully found their own individual niches over the years. Bank of America and Bank of Boston, for example, are particularly strong in fund management. Citibank uses its Luxembourg operations principally to service other banks in the Eurobond market. International Bankers Inc, founded this year with Saudi backing by Mr Jean-Maxime Lévêque, former chairman of Credit Commercial de France, aims to finance international trade, especially between the Middle East and Europe.

Wholesale centre

Inevitably, however, the smallness of Luxembourg and the number of banks operating there mean that it retains the flavour of a wholesale money centre dealing mostly in foreign currency business. Its 115 banks represent a ratio of one for every 3,000 inhabitants and the opportunities for domestic banking are strictly limited.

Luxembourg owes its development as an offshore banking centre to its low capital requirements (capital only has to be 8 per cent of total assets) and to freedom from minimum reserves. This encouraged German banks to take up residence there for the purposes of offshore lending and even today Luxembourg remains the key centre for Euromark business. The 30 German banks make up the largest national grouping in the Grand Duchy and control half its total banking business.

In terms of numbers they are followed by the 14 Scandinavian banks, which control 8 per cent of total banking assets, rather less than the 13 Belgian and Luxembourg banks which have a 14 per cent share of the business. The eight French banks and seven Swiss are the next largest national groupings.

Figures from the Luxembourg Monetary Institute show that taken as a whole the banks still continue to rely heavily on the interbank market as a source of funds. At the end of last July interbank deposits of LuxFr 4,461bn made up 71 per cent of total liabilities. They were 3.5 times the size of deposits from non-bank customers.

But this proportion is changing as banks cut down on less lucrative interbank dealing. As recently as 1979 Luxembourg banks were much more heavily dependent on the interbank market as a source of funds. Then interbank deposits of LuxFr 2,450bn were 4.5 times the amount outstanding in deposits from non-banking customers.

As in other banking centres banks in Luxembourg are having to concentrate more heavily on liability management in order to boost their profits at a time when lending opportunities are becoming scarcer. Obviously one way of increasing their margins is to seek out non-bank deposits, for example from corporations as well as private retail customers, as these tend to be cheaper than borrowing on the interbank market.

One of the prime examples of this new approach to liability management has been set by Deutsche Bank, whose Luxembourg subsidiary has organised more than $1bn in interest rate swaps. This process involves the bank in issuing fixed rate debt which is then swapped with floating rate obligations of another party. In this way Deutsche ends up with a guaranteed source of long-term floating rate finance to fund its loan portfolio at a cost way below the standard London interbank offered rate for Eurodollars.

When they turn to the lending side of their operations banks in Luxembourg point with some pride to the fact that the Grand Duchy has stayed relatively untainted by the debt crises in Latin America and Eastern Europe. Luxembourg banks have a Eurocurrency exposure of only $8bn in Latin America and $4.9bn in Eastern Europe.

By contrast, Eurocurrency lending to countries in Western Europe totalled $59bn at the end of June this year. This was nearly 70 per cent of total Eurocurrency lending out of the Grand Duchy and it shows how Luxembourg has always been mainly a European banking centre.

Scandinavian banks, for example, first came to Luxembourg to do the kind of foreign currency finance that was not permitted at home. Basically it involved helping their corporate customers with trade and other foreign currency loans. As such the Scandinavian group has always tended to absorb funds from the pool of interbank money that is turned over in the Grand Duchy. At the other end of the spectrum are the Swiss banks which are traditionally large net providers. Luxembourg is their interbank outlet for the fiduciary deposits gathered from customers at home.

By far the largest part of Luxembourg banking business is carried out in foreign currency, with the D-mark and the dollar predominating. Assets in foreign currency at the end of July amounted to LuxFr 5,585bn, nearly 90 per cent of assets in the banking system as a whole.

Heavy involvement

The other outstanding feature of Luxembourg banking business remains its heavy involvement with the interbank market on both sides of the balance sheet. More than half total liabilities and about half total assets are accounted for in this way.

Growth in the interbank market worldwide has come to a halt, however, and the recession in Western Europe means that opportunities for lending to non-bank customers have become much more limited. This slowdown is the immediate reason why banks in Luxembourg are looking at other forms of business such as portfolio management.

Excessive concentration on interbank business has always been a limiting factor for Luxembourg. Even without the recession and the debt crisis many bankers in the Grand Duchy agree that it is an imbalance that would have had to have been corrected sooner or later.

Next in line for development

Insurance

MARY ANN SIEGHART

"THE INSURANCE market is in the same position in Luxembourg as the banking market was 15 years ago," says James Ball, managing director of Unilife Assurance Group SA, one of the few international insurance companies operating in the Grand Duchy.

Now that the banking sector has reached a plateau of maturity, the authorities have realised that they should concentrate on other areas of expansion if they want to increase both employment and tax revenues. Victor Rod, who is in charge of the insurance industry at the Ministry of Finance, says: "Since 1979 the Government has decided that it should explore areas other than banking. It realised that the financial services sector was very important and it has decided that international insurance and reinsurance would be worth exploring."

He continues: "There is hardly any real possibility for direct insurance companies to settle here because they would only be allowed to work on the domestic market, which is very small and already fully covered by domestic companies." So the two areas which the authorities would like to develop are general reinsurance (in which companies are not restricted to domestic markets) and captive insurance and reinsurance, which are not covered by EEC regulations.

But how would Luxembourg attract such business? Victor Rod sees two obstacles: "There is no domestic reinsurance market and Luxembourg has never been and will never become a tax haven — that's absolutely clear."

By contrast, London—where most reinsurance business takes place—has a large domestic market: Bermuda and the Cayman Islands—where most captive insurance companies are based—are tax havens.

So Luxembourg has a difficult task. But it plans to make some concessions. A Bill due to go through Parliament within the next month or two will allow insurance companies, at least in their first 10 years, to make generous technical provisions which will not be taxed.

Rod considers Luxembourg to have several other attractions. It is politically and socially stable, it is well-located for European companies, there are banks to provide financial services, there are no exchange controls and because it is not a tax haven, it has a more respectable feel.

He claims: "I was told even by London brokers that Luxembourg could be of some interest. We would not necessarily be in competition with London but we would be an alternative place to do business out of. The fact that we speak so many languages is an advantage." Most Luxembourgers speak French, German and English as well as their native tongue.

As well as relaxing the tax treatment and allowing brokers into Luxembourg for the first time the Bill will also carry some stringent requirements. "We are not prepared to accept everyone," says Rod. "We are very anxious about our good repute as a serious financial centre."

There will be a minimum capital requirement of at least LuxFr 50m for a reinsurance company (less for a pure captive) and a solvency margin of around 10-15 per cent of the yearly net premium.

Ensure morality

"We shall also be requesting a very high morality and good professional qualifications from the people who are going to run the companies," says Rod. Quite how one can ensure morality in the insurance business is not clear — Lloyd's had difficulty despite its much longer record of dealing with such companies.

The operation of the companies though, once they have been vetted and accepted, will be left as unrestricted as possible. The only requirement will be an annual audit by an approved external auditor. As Rod says: "With direct insurance you need consumer protection, but for reinsurance there is no real need to protect a third party. The contractors are the other insurance companies, which can look after themselves."

There are three captive insurance companies operating in Luxembourg already, belonging to Electrolux, ASEA and Atlas Copco. There are apparently others which have expressed an interest but are waiting for the draft Bill to be passed. The Duchy is not doing any direct marketing ("It's not our way," says Rod), but it has been given contacts by bankers, auditing firms and law firms in Luxembourg.

If it succeeded, how would this affect the domestic insurance companies? Two — Assurance Le Foyer and La Luxembourgeoise — dominate the market, with about 65 per cent of business between them.

Marcel Dell, finance director of Le Foyer, says, "We don't see it as competition; we try to see it as a revival of the market. It will bring capital here, which would be a very good thing.

"We haven't so far thought of going into the reinsurance business ourselves. It's a very specialised market and you need the qualified people beforehand. We would not exclude it but we don't have the necessary means at the moment."

Gabriel Deibener of La Luxembourgeoise takes much the same line: "In the beginning we were worried because we did not know exactly what the Government intended to do. Already there are too many companies in the domestic market. But we agree that it would be a good idea to have reinsurance as a supplement to the banking market.

"I don't see that we could expand, especially in the reinsurance business where we have no experience at all."

But it was Deibener who voiced the fear in everybody's minds: "The Government is right to say very loudly that it wants to have this business, but whether it gets the companies or not is quite another thing."

Aim is to maintain discreet balance

NEWS EARLIER this month that a small German bank, Schroeder, Muenchmeyer, Hengst, was being rescued by a consortium of its larger brethren caused more than a frisson of anxiety in neighbouring Luxembourg. Schroeder, Muenchmeyer has a subsidiary in the Grand Duchy and rumours were immediately rife that its problem loans to the construction machinery group IBH Holding of Mainz were heavily concentrated on the books of that subsidiary.

For a while it looked as though Luxembourg was about to be visited by its second scandal in as many years. Last year its reputation was tarnished by the collapse of Banco Ambrosiano, whose holding company in Luxembourg had borrowed around $400m from international banks.

In fact prompt action was taken by the newly formed Monetary Institute, which since June this year has assumed responsibility for banking supervision, to make sure that the rescue operation would also shore up Schroeder's Luxembourg unit and it looked quite quickly as though the storm clouds would soon blow away.

None the less, the problem of Schroeder, Muenchmeyer highlights part of the delicate regulatory problem facing Luxembourg. The Grand Duchy is out on a limb without a lender of last resort to shield the 100 foreign banks whose well-being is basically dependent on the health of their parents at home. Until now it has also had no regulations limiting loans to a single client to a specific proportion of a bank's capital and reserves.

Pressure for such a rule may grow following the Schroeder, Muenchmeyer affair, though the basic principle remains that regulation and supervision in Luxembourg have to be tight enough to ward off scandal but not so inflexible as to encourage banks to pack their bags and leave.

A similar balance applies on fiscal matters. Luxembourg has never been a tax haven—profits tax is levied at a rate of about 50 per cent in Luxembourg—and the Grand Duchy depends on the banking system for about 15 per cent of government revenues. But taxes also have to be low enough to make the foreign banks feel it is worth staying.

Beside its supervision of banking the Monetary Institute covers the management of Luxembourg's relations with the Belgian National Bank, as well as its IMF quota. The Institute is responsible for investing surplus balances of the Luxembourg Treasury and the (limited) issue of banknotes. In case of need it could also be called on to administer domestic credit ceilings.

It is sometimes mistakenly considered to be an embryo central bank but because its currency is linked on a parity basis with the Belgian franc, Luxembourg does not in fact need a central bank. It therefore has no lender of last resort, though if one of the Grand Duchy's local banks did hit trouble there is little doubt that the Government would step in with a rescue.

In general, however, banking supervision in the Grand Duchy depends heavily on relations with the central banks of countries whose banks are represented there. Mr Pierre Jaans, Director of the Institute and previously Luxembourg's Banking Commissioner, had a spell early in his career with the Deutsche Bundesbank, West Germany's central bank. There is no doubt that this close relationship paid off in dealing with the problems of Schroeder, Muenchmeyer.

Where he had less success was in dealing with the problems of Banco Ambrosiano last year. Mr Jaans himself puts the problems facing Luxembourg this way: "It's the natural fate of a place like Luxembourg—if there's ever a problem with the parent bank, it's likely you would have a problem with its Luxembourg affiliate."

Regulatory system

PETER MONTAGNON

In the case of Ambrosiano the problems arose partly because the Italian bank's operations in Luxembourg were vested in a holding company in the Grand Duchy and holding companies were outside the orbit of banking supervision. When the Bank of Italy refused to stand behind Banco Ambrosiano's foreign operations, Mr Jaans retaliated by ordering all Italian banks in the Grand Duchy to unwind operations that were carried on through holding companies. But this was not before a great deal of damage had been done to Luxembourg's reputation because it highlighted the way in which the Grand Duchy could be used for dubious business.

At the time there were considerable fears that Luxembourg banks could lose deposits because of the Ambrosiano scandal. "We were afraid that Luxembourg deposits would go to New York or to an old-established financial centre like London—that some of our customers would lose faith," says Mr Constant Franssens, general manager of Kredietbank Luxembourgeoise.

Yet a year later it is clear that Luxembourg has ridden out the storm. This is in large measure thanks to the reputation of its authorities for professionalism. Luxembourg bankers hold Mr Jaans in considerable respect. "He knows exactly what's going on in the market," says one local banker.

Another example of quick-witted banking supervision in Luxembourg is the way the Monetary Institute has latched on to the temptation for banks to park their rescheduled loans there because of the Grand Duchy's generous attitude towards provisions. "We don't want to be a bottom drawer stuffed full of rescheduled loans," says Mr Jaans, although he does not mind rescheduled loans staying on the books of Luxembourg banks in the same proportion that they were originally contracted. Banks know about this attitude on the part of the authorities and because of that "we wouldn't dare abuse the system," says one banker.

Within this framework, however, Luxembourg has always tried to create a favourable regulatory climate to foster its banking industry.

Capital requirements are low at 3 per cent of assets. There is a total freedom from minimum reserve requirements and tax-free loan loss provision may be established at a ratio of 1.5 per cent of unsecured lending. For some years now this has encouraged banks to declare a minimum (often zero) in net profits. The authorities do not mind this, as they argue that in the long run the exchequer will not lose out. Either the loans will turn out to be sour, a real loss would accrue and the tax revenue would in any case be foregone, or the loans will be repaid; in that case the exchequer will still collect its taxes but after some years' delay.

But there is no denying that this concession could turn out to be too much of a good thing for Luxembourg with its heavy reliance on tax revenue generated by the banks. The latter are keen to have as many tax concessions as possible and this year they have won a battle with the Finance Ministry over the taxation of capital gains.

The devaluation of the Belgian franc last year brought a substantial capital gain to banks in the Grand Duchy whose capital is denominated in other currencies (notably dollars or D-marks). Theoretically this capital gain should have been subject to Luxembourg profits tax but under pressure from the banks the authorities have decided to treat the gains as being fiscally neutral, thereby voluntarily foregoing a significant slice of revenue.

In fiscal matters too the Government therefore has to steer a narrow course between severity and generosity. This is also an area in which Mr Jaans applies a pragmatism born of long experience. Using an old German proverb he says he tells the banks "to leave the church standing in the village."

In other words, banks should not help themselves to too much in the way of tax concessions. Otherwise the day might come when their presence served no real purpose for the Grand Duchy. The English proverb would put the same message slightly differently. Bank regulation in Luxembourg is designed in such a way as not to kill the goose that lays the golden egg. At the moment there are still just enough golden eggs around for both Luxembourg and its foreign banks.

Copying a leaf from Switzerland's book

"IT'S VERY difficult to find a good debtor in today's world," says Jacques Poos, director of Banque Paribas (Luxembourg) and a former Minister of Finance. In doing so he sums up the Luxembourg Eurobanks' plight.

Until a year or two ago, most of them used Luxembourg as a base for Eurocurrency lending. By the end of 1982 Eurocurrency lending by Luxembourg banks was over 10 per cent of total registered by the Bank for International Settlements.

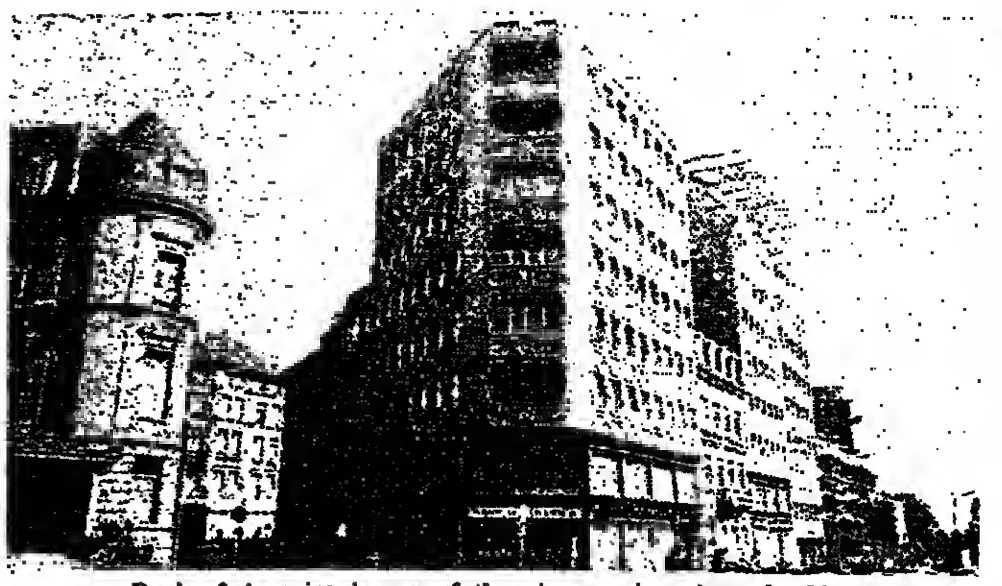
Now, with the shadow of an international debt crisis and a consequent lull in the syndicated loan market, the banks have sought to diversify, mainly into the field of private banking, traditionally dominated by banks in Switzerland.

The advantage of private or retail banking is that the banks make their money through fees and commissions rather than by borrowing at one rate and lending at a slightly higher one. This is useful for two reasons.

First, the margin the banks earn on lending business is a reward for risk taken on; private banking entails no substantial risk. Secondly, fees from private banking do not form part of the banks' balance sheets—they only appear on the profit and loss account. Moreover, profit margins on retail banking are usually higher than those on the wholesale side.

"We have entered an era where commission business will become more and more important to banks," says Edmond Israel, member of the executive board of Banque Internationale à Luxembourg. "A certain overlending has made the banks much more cautious and they have become aware that they must devote more attention to private banking, which has a small risk but requires sophisticated services."

This move is also motivated by a realisation that diversification is vital as an insurance policy against any further deterioration in traditional banking areas. "The very profitable 1970s led some banks to believe that this is just a money-printing machine," says Rheinhard Schmoelz, managing director of Credit Suisse (Luxembourg). "But now that the overall cake has shrunk a bit I think we will see a bit of restructuring."



Bank of America is one of the pioneers in private banking

For some of the American banks private banking has provided a raison d'etre for being in Luxembourg. Says Odon de Vienne, vice president and managing director of Bank of America's Luxembourg operation. "American banks arrived in Luxembourg and a lot of them didn't know why they'd come. As far as we are concerned private banking is the main way to make money."

Bank of America started to concentrate on private banking about seven years ago, well before it was considered by many other banks. "We were one of the first banks to decide that private banking was the niche we wanted to be in Luxembourg," says de Vienne. Now it accounts for about 80 per cent of the bank's business.

"We've been under pressure to reduce our corporate balance sheet, so the fee-genrating thing is certainly an attraction," he explains. "We've decided to go into private banking in a big way, not just in Luxembourg."

Private banking

MARY ANN SIEGHART

Bank of Boston and Chase Manhattan have also become actively involved in this business and other big contenders are the three local banks—Kredietbank, BIL and Banque Generale du Luxembourg, the Swiss, some of the Germans (notably Dresdner Bank), and a few of the Scandinavians.

So what are the attractions to investors of using Luxembourg rather than, say, Switzerland? Luxembourg passed banking secrecy legislation in 1981, which puts it at least on a par with Switzerland in that respect. Some investors, moreover, have lost confidence in the effective strictness of Swiss secrecy in the light of several recent scandals, such as the investigations into the Marc Rich affair and the holding of Swiss bank accounts by French residents. As one Luxembourg banker says: "Every time there's a scandal about Swiss secrecy, we rub our hands with glee."

No questions are asked in Luxembourg about individual investors' tax status. De Vienne says: "It's up to depositors to decide whether or not to declare tax. It's not up to us to make tax returns for them. It's a non-issue as far as we're concerned."

In Luxembourg, unlike Switzerland, there are no taxes at all for non-residents—no withholding tax on interest payments and no tax on capital gains. In Switzerland withholding tax can only be avoided through the use of fiduciary deposits, by which a Swiss bank will deposit its client's funds with a bank abroad. For that service it charges a hefty commission. (Legislation to permit setting-up of both fiduciary deposit and trust facilities is underway in Luxembourg.)

Fees and commissions tend to be lower in Luxembourg than Switzerland, partly because the minimum reserve requirements in Luxembourg are more relaxed and costs are lower. De Vienne estimates: "You can be 50 per cent lower in Luxembourg for very large amounts." Commissions for large investors are negotiable in Luxembourg and competition will probably bring them down.

More money can be saved by the fact that there is no VAT on gold trading and no stamp duty on securities or shares.

Luxembourg has a few non-financial advantages too. It is geographically very close for Belgians, West Germans, and the Dutch, who can drive to Luxembourg for lunch to see their bank manager. Because the number of depositors is so much smaller it is easy to make an appointment immediately rather than having to wait three or four days—though as one banker said ruefully, "Private individuals can sometimes be very demanding and they have a lot of time. They tend to get ideas on the golf course—some are good but you get a wide range of wild ideas."

Most European investors are well catered for. The average Luxembourger is at least trilingual—he or she will speak English, French and German as well as the local tongue and often Spanish or Italian too.

But the major problem banks face with their staff is a lack of training, particularly in the relatively new field of asset management. "It's very important to have highly-qualified personnel," says Damien Wigny, director of Kredietbank. "Banking is all about people and now that you need sophistication to be successful, service is more important than ever."

Many banks will import skilled staff from their own countries but native Luxembourgers should do very well out of this diversification. Edmond Israel says: "It is obvious that highly skilled people will attract a premium but we still think we can cope with the problem without paying out fantasy salaries."

It is this shortage of skilled staff that will be the immediate brake on the growth of private banking. But Luxembourg has never intended to replace Switzerland as a retail banking centre. Rheinhard Schmoelz puts the combined Swiss-Luxembourg point of view: "We see it as a complementary business, not direct competition. Sometimes we see clients coming from Switzerland to us and sometimes we refer people back here. We thought: 'If you can't beat them, join them.' That's why we've come here."

Host and clearing centre for market traffic

Eurobonds

MARY ANN SIEGHART

AS WELL as having a flourishing bond market of its own denominated in Luxembourg francs the Grand Duchy plays host to much of the infrastructure of the international Eurobond market.

Cedel, the Eurobond clearing house, has its headquarters there and Luxembourg's tiny stock exchange provides the listings for over 1,600 Eurobonds. Many of the local and Eurobanks provide safe keeping for the bonds and act as listing and paying agents.

"Founded by the market for the market" is Cedel's catchphrase. It likes to stress its independence—it is owned by 98 financial institutions, none of which is allowed to take a stake of more than 5 per cent. In contrast, Euroclear, its competitor, has close links with Morgan Guaranty.

Cedel claims to have 38-40 per cent of the market in the clearance of Eurobonds. While Euroclear is clearly the market leader in dollar-denominated bonds, Cedel claims to be ahead in D-mark and guilder securities. Broadly speaking, Euroclear represents the U.S. and London interest in the market, while Cedel is more Continental European.

But there is also a lot of overlap. A quick glance through Cedel's shareholders would pick up Bank of America, Chase Manhattan, Citibank, Merrill Lynch and Salomon Brothers. Deutsche Bank uses Euroclear rather than Cedel.

There is healthy competition between the two clearing houses. "We keep Euroclear in line and they keep us in line," says Cedel's managing director, Jo Galazka, formerly of Merrill Lynch. But neither clearer is in the business of making huge profits. As Galazka says: "It's a matter of ego—you want to increase your share of the market."

The market consists of Eurobond dealers. They trade with each other constantly, particularly in seasoned bonds, and one trader may conclude as many as six or eight deals a minute. What then happens is that both parties will fill in slip with the terms of the deal; it is at this point that they will agree whether to use Euroclear or Cedel.

If they choose Cedel they both send instructions—by post, telex or computer—and Cedel will complete the transaction that day by transferring the bonds from the seller's to the buyer's account and the cash from the buyer's to the seller's. If, as often happens, the seller does not possess the bonds, he can borrow them from another Cedel participant for a fee.

Cedel will also provide overdraft facilities for up to 48 hours and longer financing can be arranged by Cedel from leading participating banks.

If the two parties to a trade are not both members of either Cedel or Euroclear, they can use the "bridge" between the two systems by which securities and cash are transferred from one to the other.

Clearing services are available for all fixed income securities traded in the international markets. At the moment these amount to over 6,000 issues in 25 different currencies. As the accompanying table shows, both the number of issues and their turnover has increased very considerably over the past five years.

Cedel is expecting this expansion to continue. The organisation started life, rather incongruously, in a private house on a residential avenue outside the banking centre. To that house has been added a modern building of smoked glass and Galazka is now negotiating for a third building. He has upgraded the computer system and at current levels the computer is still only working at half-capacity. "Eventually," says Galazka, "everybody will just tap their trades into a computer and we'll sort out the rest."

Cedel's next move is into the U.S., "We'll have a presence in New York before next spring," says Galazka confidently. First, though, it must sort out certain legal problems; bearer bonds are not popular with the U.S. Securities and Exchange Commission.

After that comes the Far East. But Galazka will probably not be there to supervise it. He intends to leave in the middle of next year after three years of running Cedel and 26 years before that at Merrill Lynch. "What I set out to do has been accomplished," he explains. "We have a stronger and more visible organisation which is really international. I think I'm ready for a new challenge now."

CEDEL

	1979	1980	1981	1982	1983 (1st half)
Number of issues in the system	3,207	3,528	4,455	5,874	6,331
Turnover volume ($bn)	54.6	80.2	155.1	332.0	195.3

Feeding off Cedel is the Luxembourg Stock Exchange, with its listing of over 1,600 Eurobonds issued in 24 different currencies. It is tucked away in the most unlikely spot—in a little shopping street on the first floor above a boutique and a restaurant. But as Marcel Lamboray, director of the exchange, says: "Even if we're one of the tiniest international stock exchanges in the world, we are the most international."

Most Eurobonds are listed either in Luxembourg or London. The advantage of Luxembourg is that it is cheaper and that trades are actually done there on behalf of the small investor.

London trading is almost entirely over-the-counter; that is, between one dealing house and another over the telephone. Luxembourg is the same for big deals, but Lamboray reckons that 100-150 different Eurobond issues are traded every day on his exchange, mainly in small amounts. The frequency of trading for any bond depends on the currency and the issuer. Canadian dollars, French francs, sterling and yen are all popular, as well as the composite currencies, especially the European Currency Unit (ECU). Every ECU-denominated bond is listed there—57 issues totalling more than ECU 3½bn.

Western European issuers are the most popular in terms of trading, particularly supranationals like the European Economic Community.

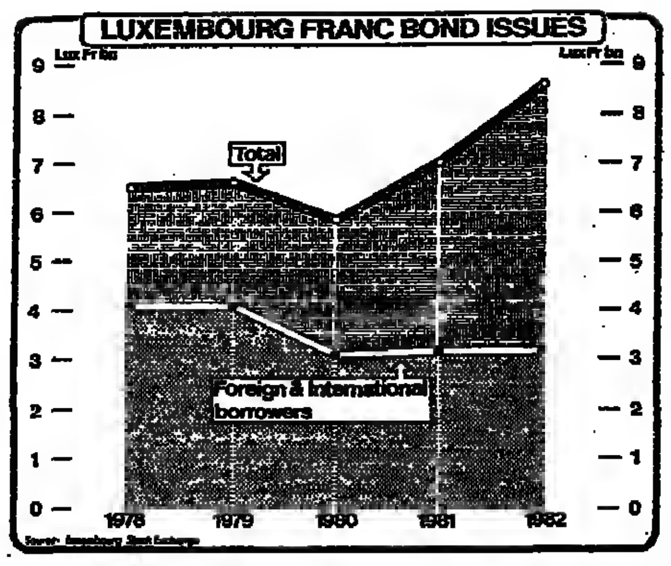
All these bonds require listing and paying agents in Luxembourg. A listing agent will do the necessary administration to get the bond listed on the Stock Exchange and a paying agent will meet the annual coupons on the bonds.

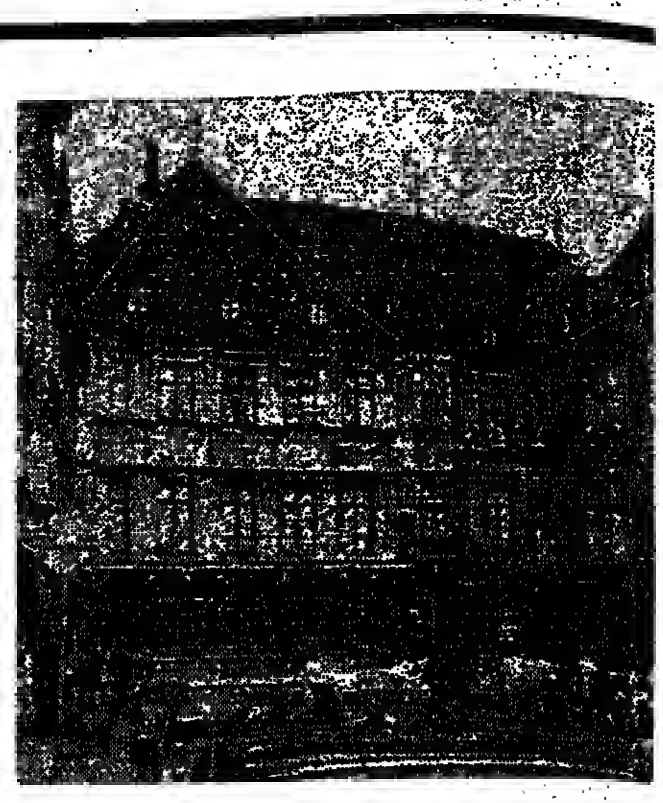
Citibank's Luxembourg subsidiary does both. It operates from a small apartment block a good 10 minutes walk from the financial centre and there are none of the trappings that banks trying to attract private client business have installed. "We're a bit low-profile because we're not open to the public," explains Jean-Pierre Fraas, director and general manager of the bank.

Citibank moved into Luxembourg in 1970, and spent eight years doing private banking. Then, says Fraas: "There seemed to be no reason for Citibank Luxembourg to do private banking business. It was a strategy decision to move into Eurobonds."

The bank turned most of its underground car parks into a vault for the safekeeping of Eurobonds and now has hundreds of thousands of securities deposited there. There are only 15 staff and even the coupon-cutting is highly automated. "We work like a factory," says Fraas. "It's not really banking."

Nevertheless, it is very profitable, especially considering the number of people generating the income. Citibank seems to have discovered the secret of successful banking in Luxembourg. Fraas explains, "We have our niche and we feel very comfortable in it."





There has been a sharp increase in the number of international credits denominated in Luxembourg francs, as the graph shows. Right, the Royal Palace in Luxembourg City.

Role governed by Belgian link

The Franc

PETER MONTAGNON

LUXEMBOURG must be one of the few countries in the world whose residents are not entirely free to place their own currency on deposit with local banks.

Since the devaluation of the Belgian franc last year banks have been forbidden to accept deposits of more than LuxFr 1m maturing in less than a year. The purpose is to protect them against the build-up of excessive local currency liabilities. If there were ever a separation of the Luxembourg franc from the Belgian currency, in which banks do much of their lending, banks would otherwise face large currency losses.

Last year fears of such a separation became very strong because Belgium's steep devaluation within the European Monetary System was pushed through without the Luxembourg Government being consulted. Luxembourg, with a balance of payments surplus, did not feel it needed such a large devaluation. Since then these fears of currency separation have abated.

Indeed a study commissioned for the Government from Dr Jelle Zijlstra, former president of the Netherlands Central Bank, has shown that Luxembourg could never realistically hope to sever its currency links with its northern neighbour. The country is very small and would need huge reserves to "go it alone." This in turn would mean a period of unparalleled economic austerity while the reserves were being built up.

But the relationship between the Luxembourg and Belgian francs still colours heavily the role of the Grand Duchy's currency in international banking transactions. After the devaluation scare last year banks were also asked to ensure that their liabilities in local currency were matched by Luxembourg franc—denominated assets.

This led to a sharp increase in the number of international bank credits denominated in Luxembourg francs. No statistics are collected on these operations but one local banker estimates that total volume in 1982 exceeded LuxFr 10bn as banks sought out foreign borrowers to compensate for the shortage of lending opportunities at home. This year the volume is likely to be less, but evidence that the market is still active has come with a recent operation for France's Centrale Nucleaire e Neutrons Rapides (NERSA).

Heavy demand

NERSA's credit, which followed hard on the heels of a LuxFr 1bn loan for Finland, was initially set at LuxFr 2bn by lead managers Societe Generale Alsacienne, Banque Generale and Caisse d'Epargne de l'Etat. Because of heavy demand it was subsequently increased to LuxFr 2.5bn despite its low margins of ⅛ per cent for the first two years rising to ¼ per cent over Luxembourg Interbank Offered Rates for the following six.

Some local bankers argue, however, that the emphasis has now shifted away from credits in Luxembourg francs and into those in Belgian currency. The change in deposit regulations and last year's burst in activity in Luxembourg franc credits has helped banks match their Luxembourg franc liabilities with assets in the same currency. Now they are having to contend with a surplus of Belgian currency deposits—because of the absence of withholding tax in the Grand Duchy Belgians have always been large depositors in the banking system there.

Indeed, Luxembourg to some extent acts as a safety valve for collecting capital exports from Belgium which that country can ill afford because of its balance of payments deficit. Luxembourg banks tend to recycle these capital exports back into Belgium, which is one reason why the authorities in Brussels have never frowned too strongly on the liberal approach to banking adopted by the Grand Duchy.

Luxembourg with its balance of payments surplus has a natural need to export capital but its position as a partner in the Belgo-Luxembourg economic union that has a balance of payments deficit, as well as the smallness of its currency and capital market, means that it has to be particularly careful in its approach to capital exports.

Priority in the public bond market is given to issues by the Government itself. Under a rigorous queuing system a calendar of new issues is set each quarter, with the Government usually taking up a hefty share. Then follow other domestic borrowers and finally multilateral institutions of which Luxembourg is a member such as Euratom, the European Investment Bank and Eurofima.

Theoretically there is nothing to stop other sources such as a U.S. corporation, for example, from issuing bonds in Luxembourg francs but where there is some leeway in the calendar preference is given to those borrowers intending to spend the proceeds of their issues absorbed by the public Luxembourg (thereby assisting in the recycling of capital from Luxembourg to Belgium). In practice this means that the queue of other borrowers is so long that they are effectively excluded from the market.

Specific relevance

The market in private placements is less formally regulated. Banks are allowed to arrange around half the amount of issue within Belgium and bond market. In practice this boils down to one issue a month not exceeding LuxFr 250m. They can choose their borrowers freely but in keeping with the the spirit of the regulations applying to public bond issues these usually turn out to be entities such as banks with specific relevance to Luxembourg or to Belgium.

Investors in Luxembourg franc bond issues are mainly domestic, with some additional interest shown by investors in Belgium. The market's smallness means that secondary trading is inevitably thin, although local banks do make a market in public bond issues. As the Belgian franc to which Luxembourg's currency is tied is also one of the weaker European currencies, international investors tend to stay away from the market in Luxembourg franc bonds.

This gives the Luxembourg franc capital market a peculiarly parochial air. Although the share of the currency in international capital market transactions is no longer negligible, it will always remain one of the more esoteric vehicles for borrowing—rather like the Kuwaiti dinar and Norwegian crown.

EIB LENDING (ECU m)

	Within EEC	Outside EEC	Total
1973	696.8	119.0	815.8
1974	849.7	146.7	996.4
1975	917.5	89.0	1,006.5
1976	1,086.0	187.3	1,273.3
1977	1,401.2	170.2	1,571.5
1978	1,966.5	221.7	2,188.2
1979	2,558.2	512.9	3,071.1
1980	2,950.8	547.7	3,498.5
1981	3,361.3	486.8	3,848.1
1982	4,244.2	451.5	4,695.7

EIB BORROWING (ECU m)

	No.	Private issues	Public issues	Total
1973	22	207.0	401.0	608.0
1974	16	704.2	131.3	835.5
1975	26	318.6	495.1	813.7
1976	17	221.0	510.9	731.9
1977	31	321.9	707.6	1,029.5
1978	42	509.0	1,353.9	1,862.9
1979	59	983.2	1,453.4	2,436.6
1980	73	874.5	1,509.0	2,383.5
1981	57	974.9	1,267.8	2,242.7
1982	91	1,319.4	1,826.3	3,145.7

Powerful force in Community projects

European Investment Bank

MARY ANN SIEGHART

HAD THE European Investment Bank taken to heart Polonius' advice to Laertes — "neither a borrower nor a lender be," unemployment in the EEC could have been up to half-a-million higher.

The Bank estimates that over the last few years the projects to which it has lent money have been keeping about 400,000 workers in jobs. The long-term contribution to investment in infrastructure projects may be just as great.

The Bank, whose headquarters are in Luxembourg, was set up in 1958 under Treaty of Rome provisions in order to contribute to the EEC's "balanced and steady development" by helping to finance regional development, the modernisation and conversion of enterprises and investment promoting a "common interest" within the Community.

During its 25-year life it has provided more than Ecu 25bn (£14.25bn) for investment in industry, agriculture, energy and infrastructure, mainly in the EEC but also to other countries in Europe and to the Third World.

In recent years, lending has mushroomed. The annual amount has tripled in real terms in the last 10 years to reach nearly Ecu 7bn last year.

Within the Community the Bank's main preoccupation is with regional development. About 70 per cent of its funds go to underdeveloped areas or those with declining industries which need a fresh stimulus. As a result, Italy, Greece, the UK and Ireland together received more than 85 per cent of the funds devoted to regional development last year, with the main beneficiaries being Italy's Mezzogiorno and within the British Isles, Scotland, Humberside and the North West of England, Wales, Northern Ireland and parts of the Republic of Ireland. Nearly Ecu 250m (£1.425bn) went towards reconstruction of the earthquake-stricken areas of Italy and Greece.

The Bank gives special emphasis to financing small and medium-sized enterprises, particularly when the investment will help to create jobs. It makes global loans to regional bodies, development agencies or banks which are then disbursed into investments approved by the Bank.

The other main area of lending is for the modernisation and conversion of industry, particularly when this is of common interest to several member states or to the Community as a whole. In this field the Bank has helped finance, for example, the cross-Channel hovercraft service and the Dartford Tunnel underneath the Thames.

But since the 1973 oil shock the main priority has been for investment which will reduce Europe's dependence on imported oil. Money has been lent towards energy-saving investment, the development of alternative sources of energy and the more efficient use of energy. The EIB claims that the projects it has supported in this field in the last six years will, when completed, provide extra resources or permit savings equivalent to more than 78m tonnes of oil a year, or nearly a quarter of EEC imports in 1982.

Because the EIB works on a non-profit-making basis it lends funds at the rate at which it raised them on the international capital markets plus a small margin—about 0.15 per cent—to cover costs. In special cases interest rate subsidies are paid from the Community budget.

Within the European Monetary System 3 per cent subsidies are available on selected loans to those countries which are less prosperous and whose economies need a boost. In effect this means Ireland and Italy. Those areas of Italy and Greece hit by earthquakes in 1980 and 1981 also qualify for 3 per cent subsidies on their reconstruction loans.

The Bank also has responsibility for providing development finance outside the EEC—that is, to 14 countries in the Mediterranean region and more than 60 African, Caribbean and Pacific countries which are signatories to the Second Lomé Convention. In the last ten years it has lent over Ecu 3.3bn for this purpose. The countries which have benefited most have been Greece (before it joined the Community), Spain, Portugal and Turkey.

Most of the EIB's money for lending comes from borrowings, mainly public, and private bond issues on the international capital markets. It has a Triple-A credit rating and after the World Bank is the second largest borrower on world bond markets.

Unlike the World Bank, though, it only borrows long-term (seven to 10 years) fixed-rate money but it can offer as many as 14 different currencies in its loans. This year the U.S. dollar will account for just under a quarter of total borrowings, the D-mark for around 20 per cent, with the balance in currencies like Dutch guilders, the yen, sterling, Swiss francs, Ecus, Belgian francs and French francs.

Most loans are made up of a "cocktail" of currencies. The Bank tries as far as possible to suit the borrower's needs but leaves the exchange rate risk to the borrower or his government. All interest and principal repayments must be in the currency of the loan.

To some extent the Bank is constrained by market conditions in the amount of each currency it can raise. As Philippe Marchat, the Bank's new treasurer, says: "It is important not to flood the market and we try not to tap any market when conditions are bad."

The Bank has occasionally been criticised for pricing its bond issues too aggressively. To a certain extent this may stem from the fact that instead of choosing one lead manager for its U.S. dollar bonds, it will ask several banks to bid for the mandate and take the one with the lowest price. With this competitive bidding, banks will often offer tighter terms than they would otherwise have done in order to win the deal.

However, the Bank rebuts such charges. Yves Le Portz, its president, claims: "We are permanently in the market, so it is our main interest that the investor is satisfied with our paper. It is in our interest that our paper is well-placed in the market, so we attach a lot of importance to the secondary market in our issues too."

Philippe Marchat adds: "The important thing is first to get the best conditions in the primary market but also the investors must be satisfied so that we get a good welcome when we return."

The EIB feels that it has a responsibility to help the Ecu bond market expand. Marchat says: "The EIB has played a great part in the development of the Ecu market. Until this year it was the biggest issuer and as the investor demand is growing we intend to tap this market more than in the past."

As for the future, says Le Portz: "The trend will be to lend more, especially with a recovery in investment in Western Europe."

The eventual enlargement of the EEC through the membership of Spain and Portugal is bound to add huge additional demands on the EIB's resources.


The European Investment Bank's headquarters building in Luxembourg and (right) the Bank's president M. Yves Le Portz—"the trend will be to lend more"

Widely popular for bond issues

European Currency Unit

MARY ANN SIEGHART

THE European Currency Unit (ECU), launched less than five years ago, has already become the most widely used composite currency in the Eurobond market. New issue activity in the ECU sector, which was pioneered by Luxembourg banks, is booming.

Figures compiled by the Organisation for Economic Co-operation and Development (OECD) show that international ECU bond issues totalled $823.4m in 1982 compared with only $236.1m the year before. In the first 10 months of this year new issue volume had already reached $1.44bn.

Why has the market grown so quickly? According to the OECD, "the recent relative success of debt issues denominated in ECUs may be ascribed to the political and economic integration to which the member countries of the European Communities have committed themselves and the official support they have received."

M Yves Le Portz, president of the European Investment Bank, echoes these sentiments: "The widespread use of the ECU represents . . . one of the prerequisites for the gradual establishment of a true European monetary zone intended to represent, along with the dollar and the yen, one of the three pillars of a well-ordered international monetary system."

Certainly the politics of European monetary integration have helped the ECU along. Though it is a basket currency—made up of the currencies of all the EEC member countries except Greece—it is treated in many ways like any other separate currency. The European authorities have encouraged banks to set up clearing facilities which do not necessitate the splitting-up of the basket and ECU accounts can now be opened.

Possibly the failure of the Special Drawing Rights (SDR) to make much of an impact on the international capital markets is due to the lack of political incentive to encourage its use.

When the first ECU bond was issued in March 1981 it was decided that all interest and principal repayments would be made in ECUs, not in any constituent currency. Investors would have to buy the bond in ECUs. This has led to more and more accounts being set up in ECUs. The OECD estimates that the volume of ECU deposits in the Euro-market at the end of last year amounted to around $3bn.

Now that loans are made in ECUs there is ECU financing of foreign trade and invoicing in ECUs and a fully-fledged ECU interbank market has taken shape. As M. Damien Wigny, a director of Kredietbank Luxembourgeoise, which pioneered the use of ECU bonds, says: "To buy an ECU bond or to buy a meal is not that different—you just write a cheque."

The main obstacle to developing ECU facilities has been the refusal of West Germany to recognise the ECU as a foreign currency. If that were to be removed, more investment and borrowing opportunities could be opened up.

So much for the infrastructure. What makes borrowers want to borrow and investors want to invest in ECUs?

Damien Wigny explains: "For large borrowers, one of the main considerations is to diversify their sources of funding." For instance, the World Bank tapped the ECU market for the first time earlier this month with a ECU 150m issue.

Borrowers can also use ECU borrowing to hedge some of their investments. If they have widespread European assets, they can hedge them all in one operation. ECU borrowing is also a way to borrow indirectly in currencies like the French franc, which are otherwise difficult to obtain for the purposes of international finance.

Then too there is no U.S. dollar element in the ECU, unlike the SDR, so borrowers have the advantage of the spread of risks that a composite currency gives without increasing their dependence on the dollar.

This is particularly useful for European borrowers. Since their own currency is included in the make-up of the ECU, the ECU should fluctuate less against their own currency than the dollar.

These advantages apply to investors too. As Damien Wigny says: "What investors are looking for more and more is relative stability and the ECU gives them just that. Nobody knows these days what a strong currency is—for months we have been told the yen was a very strong currency and look how it has weakened recently."

Investors are primarily in the Benelux area; they want to protect themselves against their own currency's fluctuations against other currencies in the European Monetary System. Individual investors are in the majority but there is apparently a growing institutional interest, even from Swiss and Japanese banks.

Now that the ECU deposit market has grown it is easier for Eurobond traders to make a market in ECU bonds; they can borrow in ECUs to fund their positions. Kredietbank estimates that there are now about 15 active market-makers in the ECU secondary market, based mainly in Belgium, France, Italy and Luxembourg.

Though it is improving, liquidity in the secondary market is still low. The issues tend to be small — usually around ECU 50m to ECU 75m — which means that trading is often rather thin. In addition, private investors, more so than institutions, tend to hold the paper until maturity. This is an inhibiting factor for institutional investors.

Nevertheless, as liquidity improves, the size of the issues will grow and a virtuous circle should develop. The fact that institutions are entering the market as investors is a good sign and this too should attract more borrowers.

The ECU bond market seems likely to continue growing in the next few years. It may not quite have come of age but it is well on its way.

Leading presence among foreign contingent

The German connection

PETER MONTAGNON

THE 30 German banks in Luxembourg make up by far the largest national contingent of banks and have lent to the Grand Duchy its peculiarly German stamp. With total assets of just over LuxFr 500bn at the end of last year Deutsche Bank Cie Financiere Luxembourg is the largest bank in the country.

The German banks first came to Luxembourg in the 1970s to avoid the minimum requirements imposed by the Bundesbank in Germany. Over the years they have built up the Grand Duchy into the premier centre for Euromark business. D-mark lending makes up 42 per cent of all Eurocurrency loan business carried out in the Grand Duchy and although the share has slipped from over 50 per cent 10 years ago it is still just above the 40.4 per cent share held by the U.S. dollar.

Luxembourg's low capital ratio requirement (capital and reserves have to be only 3 per cent of total assets) also made Luxembourg a perfect centre for booking the international loan business of German banks. For about five years now, however, German banks have been largely absent from the syndicated loan market because the margins paid by good quality creditors are regarded as too low.

Instead they have concentrated on lending back into Germany. Says Dr Ekkehard Storck, managing director of Deutsche Bank Luxembourg: "More than half in the broadest sense of our lending is related to German exports."

Export-related

Like other German bankers Dr Storck believes that the need to finance German industry and exports will continue to justify banking operations in the Grand Duchy. But there is no escaping the present trend towards a stagnation of business volume.

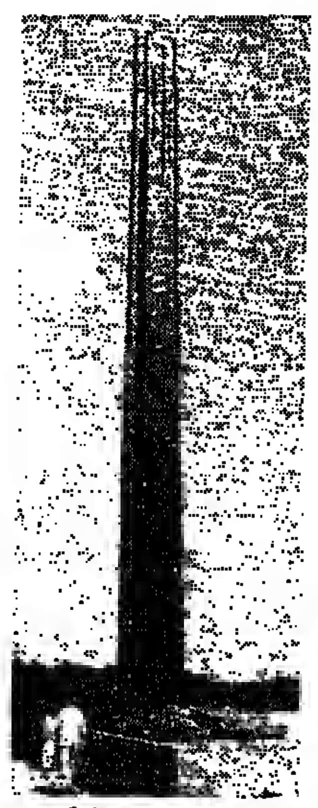
One reason for this is a slackening of credit demand because of the recession. Another is that Luxembourg is now no longer the only place where loans can be booked. Tax reasons might, for example, make it more sensible for a German bank to book a loan in its London branch or in Singapore. This could allow it to take advantage of double taxation agreements allowing withholding tax to be offset against tax liabilities in those particular centres.

A more cynical reason, although no one really likes to admit it, may be that the branches of German banks need the loan business to boost their own overall growth. From a group point of view slack business is less conspicuous on the books of a Luxembourg subsidiary.

Figures published by the West German Bundesbank appear to confirm this trend. They show that at the end of last year 43 per cent of all short-term and 32 per cent of long-term loans to German companies by non-domestic banks still originated in Luxembourg. On the other hand branches of German banks (rather the Luxembourg subsidiaries) account for a growing share in overall foreign business of German banks. According to the Bundesbank the share of the branches (in centres such as London) rose to 20.3 per cent of the total from 15.7 per cent a year earlier.

At the same time the margins on loans to German customers have now become slimmer as more banks chase a limited amount of business. In Luxembourg this has not yet shown through in the profit and loss account—"We are having an excellent 1983," says a senior executive of a leading German bank. Other German bankers say that careful liability management, the accumulation of interest free provisions and the high margins on rescheduled loans are keeping their profits up.

For the longer term, however, the outlook is not so favourable. Like other banks in Luxembourg the German institutions have been affected by the overall stagnation in the banking market. Cie Luxembourgeoise de la Dresdner Bank, the only one of the Big Three to bave reported results covering part of 1983, registered a 1.5 per cent decline in assets in the year to March 31.



The Schuman memorial to the founder of the European Iron and Steel Community

In its annual report the bank blamed the drop "on the approximately 7 per cent rise in value of the Luxembourg franc in the review period against D-mark and the dollar, in which currencies 86 per cent of our assets are denominated." But the report goes on to say that the bank also decided to reduce its term deposits with other banks as part of an effort to boost profitability and strengthen its balance sheet.

German banks are thus following the development of private client business in Luxembourg with particularly close attention. For them the need to develop new types of business is doubly urgent because of impending changes in German banking law which will apply capital requirements to German banks on a consolidated basis. Eventually this means that lending on a group consolidated basis will no longer be able to exceed the permitted German ratio of 18 times capital and Luxembourg will lose its special appeal as a centre where capital requirements are low.

Quite what this will mean for the German banks' operations in the Grand Duchy remains uncertain. "It doesn't necessarily mean we will have to reduce our international business in Luxembourg," says one banker. German banks could decide to make cuts elsewhere; or they could retain their growth potential by increasing their capital; or the capital requirements may be redefined. But what is clear is that consolidated capital requirements are likely to be imposed soon, possibly as early as next year. And that is casting something of a shadow over business in Luxembourg.

Serious challenge

For some of the German banks the shift towards private client business implies a serious challenge. It will mean increasing their staff and finding new customers. For a few the burden will be less heavy. Dresdner Bank, for example, is already well diversified in this respect and with a staff of 168 is also rather large in terms of personnel. Deutsche Bank already has a stake of 25 per cent in Banque de Luxembourg, which specialises in portfolio management.

It is however a measure of the difference in style that Banque de Luxembourg has a staff of 191, three times that of Deutsche Bank Luxembourg, while its balance sheet of LuxFr 26bn is barely one twentieth of that of the German bank. Some German banks may not be able to cope with such a change and decide to leave.

Overall, however, the extent of their success in diversifying into private client business will mean a lot for Luxembourg's ftuture as a banking centre.

That they are now starting to rise to this challenge is already a good sign. "Private business shows that the banks want to stay," says ona German banker. "It's a long term investment—a strategy for the future."

GERMAN BANKS IN LUXEMBOURG

(Lux Fr m except where otherwise stated)

	Year ended	Total assets (Frs bn)	Per cent change on year	Published profit	Tax paid	Provisions for year	Capital: accumulated	Capital: and reserves†
Deutsche	30/9/82	502.6	+23	—	691	7,205	14,748	8,256
Dresdner	31/3/83	460.6	−1.5	570	573	3,694	8,468	11,505
Commerz	31/12/82	299.5	+9.7	—	108	1,299	2,225	6,124

† Excludes accumulated provisions.

Bonn moves to tighten law

West Germany's attitude

JOHN DAVIES

IN WEST GERMANY there has long been controversy about how best to supervise and regulate the business carried out by German banks through their operations abroad, notably in Luxembourg. Bankers, politicians and supervisory authorities have been wrestling with this problem for years.

The Finance Ministry in Bonn recently took the matter a stage further by outlining draft changes in the banking laws, including some affecting foreign operations. The move has been given added impetus by issues raised in the wake of the rescue of the private bank of Schroder, Münchmeyer, Hengst.

Among other things the Ministry has proposed that West German banking laws should apply to banks on a consolidated basis comprising the parent bank and all subsidiaries, at home and abroad, which are at least 50 per cent owned.

The new banking measures would come into effect on January 1 1985. But banks would then have a three-year transition period to conform on a consolidated basis to restrictions affecting capital and lending.

The banks have voiced strong reservations and serious negotiations lie ahead. Banks believe, for instance, that the subsidiaries which are consolidated should be those in which they have a stake of over 50 per cent, not precisely 50 per cent.

They also want a longer transition period. Otherwise they may have to limit lending just when there is pressure to help finance domestic economic growth, ailing industries and countries deep in international debt.

The Ministry's proposals may not survive in their original form, certainly if previous experience in this area is any guide. The Ministry has been counting on a Cabinet decision by the end of this year. But even after that negotiations with bankers could lead to further modifications.

At present the restrictions imposed by law on banks in West Germany include:

● Capital and total lending. Section 10 of the Banking Act says that banks must have adequate capital of their own, including reserves, as a basis for credit business. It empowers the Federal Banking Supervisory Office—in agreement with the Bundesbank, the central bank—to prescribe what is adequate. The Supervisory Office has done this by laying down that total lending must not exceed 18 times a bank's own resources of capital and reserves.

● Large loans. Section 13 of the Banking Act says that loans to one borrower must not exceed 75 per cent of a bank's own resources of capital and reserves and that loans to the five biggest borrowers must not exceed three times the bank's own resources.

The West German banks' involvement in subsidiaries and other legally separate entities in Luxembourg and other foreign centres is outside the net of German law. The banks have built up a large volume of business abroad, often far exceeding 18 times their foreign capital base. Even if foreign and domestic operations were consolidated, lending in many cases would be above the 18-fold limit of German law.

Tha supervisory authorities believe that the banking rules should apply to groups as a whole, including subsidiaries in Luxembourg. After all, they argue, the parent banks bear effective, if not legal, responsibility for their Luxembourg operations.

The banks point out that much business abroad has a different rationale from domestic business. Nevertheless, they agree with the principle of consolidation of their accounts.

Voluntary basis

On a voluntary basis nearly 40 large banks already provide consolidated financial statements at the end of each quarter to the Supervisory Office. This occurs under the "gentlemen's agreement" which bankers reached in 1981 with Frau Inge Lore Bähre, who heads tha office.

But this consolidation is not as wide as that proposed by tha Finance Ministry. It is limited to subsidiaries 100 per cent or nearly 100 per cent owned. Moreover, the banks supply information only; they are not bound to observe credit rules on a consolidated basis. Frau Bähre recently asked the banks to widen the net of subsidiaries and to conform to rules on a consolidated basis but no agreement was reached.

The difficulties of Schröder, Münchmeyer, Hengst have addad to pressure for a legal basis for stronger supervision of banks' foreign operations. There has been surprise at the size of the bank's involvement with the IBH construction equipment group, partly through Luxembourg. There is also concern that problems were not detected earlier.

Opposition politicians bave suggested tighter controls than already planned, including more control over bank involvement in such financial instruments as factoring. The banks dispute the need for such measures.

The Bundesbank has long been calling for tighter regulation of banks' foreign business. In its latest move to put pressure on banks, it recently asked them to supply more information on their Luxembourg subsidiaries on a monthly basis. Tbe banks bave expressed willingness, although they dispute the Bundesbank's right to require such information.

The West German Government has been spurred in its efforts to amend the banking law by an EEG decision under which member countries are to introduce banking regulations on a consolidated basis by 1985. The degree of regulation has been left open, presumably for future attempts at EEG harmonisation.

Local facility geared to private clients

Gold trading

JEREMY STONE

WHEN THE Luxembourg gold fixing started in March 1981 its initiators may have nursed hopes of creating a new miniature time-zone in the international gold-trading day. The idea would have been to pick up a fair proportion of the traffic as the trade commuted each morning from Zurich to London.

Given the narrowness of the time difference, however, it was always asking rather a lot to expect the Luxembourg fixing to rival London or Zurich. Other markets which opened with the intention of filling more generous gaps in the trading day bave shown that established centres are bard to cballenge in this way. New York is not a match for Chicago in financial futures, while the weight of bullion trading remains in London.

It would be odd if things bad turned out otherwise. There is a degree of interface trading between Luxembourg and the wider international market but major price shifts are rarely set in motion there. If a surge of demand were to develop in Luxembourg, causing a premium to emerge between the Luxembourg fixing and the London or Zurich prices, dealers would quickly abitrage it out of existence. As one dealer explained: "A shortage of a few thousand ounces is not going to make much of a ripple on the international market." The Luxembourg fix is seldom far from the going rate.

Yet it may be going too far to question—as some do, albeit in jest—wbether there really is a bullion market in Luxembourg. Dealers in the major centres point out that the Grand Duchy is not a place of physical delivery in any size, while the fixing has not so far developed into a focus for bank or institutional activity.

What the fixing has achieved, according to Reinhard Schmölz of the Credit Suisse, is to provide a reference point for local investors, including the institutions sucb as insurance companies. Turnover may be insignificant by comparison with London and Zurich but to have an officially marked price "even from a small stock exchange" belps the market to keep the confidence of the private investor, says Mr Schmölz.

In fact it is in tha context of Luxembourg's expansion as a centre of private client banking—a more convenient mainland Jersey—that gold trading bas its natural place. Gold is one of the more seductive banking products aimed at the doctor-and-dentist investment market in the neighbouring European countries.

The VAT-free status of gold purchases in Luxembourg bas been particularly attractive to the German banks, enabling them to sell to their private customers, in Germany, et the clean price, so long as the gold is physically delivered in Luxembourg.

Certificates of gold deposit, without physical delivery, can of course be traded in line with the VAT-free market price; another popular vehicle for this purpose is the unallocated kilobar, held in Luxembourg.

Coin purchases

To the German or Swiss resident, bowever, coins may represent the most attractive small-scale purchase, if only because they differ from the standard 400-oz bar in being inconspicuously portable across tha border. This is partly a matter of some investors wishing to have actual physical possession of gold — a certificate is not much of a hedge against collapse of the international banking system — but there is no doubt an element of VAT-profiteering, as returning tourists unload their krugerrands and Napoleons at the official rate (inclusive of *umsatzsteuer*).

For most of 1983 smuggling and VAT evasion may indeed have been the most likely way of making a turn on gold investments. The gold prics, currently about $380 ao ounce, has been on the decline since the summer after a long period of trading up and down in tha range between $420 and $440. Lately it has looked as if gold was losing its cachet as the safest haven for anxious money.

If the gold price is going to ignore the tensions of international politics — recently it has failed to respond in its traditional fashion to U.S. military operations in the Caribbean and the rumoured death of Mr Andropov — it may be that the volume of gold dealings will shrink. If inflation rates in the main OECD countries were to remain low, moreover, a cynic might prophesy that the metal's virtue as an inflation hedga (or substitute for sound money) would be of littla belp in keeping the price up and the market moving.

That of course would cause disappointment in markets other than Luxembourg.

Reforms follow in the wake of Ambrosiano affair

The Italian connection

ALAN FRIEDMAN

"WHEN SOMEBODY wants to use a fraudulent means to deceive banks and authorities, when somebody sets out to lie to everyone and take advantage of the international banking system, then there is very little that anyone can do to stop such a situation from arising."

This admission of helplessness is one European central banker's way of explaining just how it was that the Banco Ambrosiano of Roberto Calvi managed to deceive central bank authorities in Italy and elsewhere for so long. The deception, which involved Vatican-owned front companies in South America and the Caribbean, also led to a Euromarket default in Luxembourg of garantuan proportions.

Shortly after Sig Calvi met his macabre end at Blackfriars Bridge in London, the new emerged on a Friday evening in the summer of 1982 that Banco Ambrosiano Holdings (BAH), the non-banking Luxembourg subsidiary of the Milan parent bank, had defaulted on around $450m of syndicated loans from Euromarket banks. The loans had been made to BAH rather than the Milan parent and were thus not considered liabilities of the parent or the Italian authorities.

The Luxembourg default, resulting from the simple fact that there were no funds left in the parent bank to make repayments, was a shock to the banking system which led to, among other things, the rewriting of the landmark 1975 Basle Concordat — the gentlemen's agreement under which leading central banks first co-ordinated the supervision of international banks. But even the revised concordat is still somewhat nebulous and the lost $450m is now the subject of more than 90 separate lawsuits against Ambrosiano's successor bank.

Britain's Midland Bank and National Westminster Bank are but two of the litigants seeking the repayment of a percentage of the lost loans (publicly these two banks still maintain they are after 100 per cent, but private negotiations continue and a settlement in the region of 60 to 80 per cent seems possible).

Sad history

The history of Italian bank involvement in the very loosely regulated Luxembourg market is a sad tale of too little and too late. Non-the-less, the shock of Ambrosiano has resulted in some reforms by both the Bank of Italy and tha Luxembourg authorities.

Italian banks, along with other major U.S. and European institutions, first began to expand in earnest internationally during the early 1970s, at the time when the Euromarket was taking off as a major offshore financial market. Only the largest Italian banks were permitted to have overseas operations, either full branches or subsidiaries, and to this day only ten to 15 Italian banks have a major overseas presence.

Unfortunately, the early 1970s saw Ambrosiano and other Italian banks moving to establish Luxembourg holding companies—not bank subsidiaries—and under the lax Luxembourg regulations this provided scope for the potential abuse of the system, mainly through dealings by Italian bank holding companies in Luxembourg with third party bank operations such as other Italian bank subsidiaries in Nassau, the Cayman Islands and other offshore centres.

In January of 1981, well after Ambrosiano had been channelling shareholdings of itself through Luxembourg, Liechtenstein and the Caribbean, the Italian Credit Commission and the Bank of Italy moved to rectify the situation. The Bank of Italy had seen, during its 1978 inspection of Ambrosiano, just how much was wrong and the reasons why it took nearly three years to demand reforms from Italian banks operating through Luxembourg must be seen in terms of the immense and unspoken political pressures at play during the whole of the Ambrosiano affair.

This is the sinister underside of life in Italy, which was exposed most blatantly during the unprecedented attack on senior Bank of Italy officials in 1979 during the Bank of Italy affair.

In January 1981, however, the seven Italian banks with Luxembourg holding companies were told by Rome that in future all participations abroad should be held directly—no more intermediate holding companies would be allowed. The banks were told that overseas subsidiaries should be established only in countries where satisfactory supervision existed, a veiled reference to the laxity of Luxembourg. In addition, the banks were told to report to tha Italian central bank with consolidated accounts—few provide such accounts publicly.

Only now, in the last few weeks of 1983, is the January 1981 order being implemented. The delay in acting can be explained by the need to avoid damage to Italian banks whose organisational changes in Luxembourg involve very big operations with far-reaching implications. For example, the Banca D'America et d'Italia, is in the process of closing down its Cayman Islands bank and changing its Luxembourg holding company into a fully fledged bank. In all, four of the seven Italian bank-owned Luxembourg holding companies are being transformed into banks and three others will dismantle their Luxembourg holding companies because they already have banks in the country.

Guarantees given

The Luxembourg authorities—namely M Pierre Jaans, the Banking Commissioner—acted in August 1982 to require Italian banks to give immediate and unconditional guarantees covering any eventual debts incurred by their Luxembourg affiliates. The banks complied within 48 hours with a demand which, had it been made before the end of Ambrosiano, might have eliminated the need for banks such as NatWest and Midland to go through tortuous legal actions.

Just as the Ambrosiano affair damaged Italy's name and standing in the Euromarket, it did little good for the reputation of Luxembourg. On the other hand, Luxembourg continues to attract thousands of holding companies from U.S. and other corporations and is still seen as a useful financial vehicle for all sorts of activity.

Appeal as international centre

Scandinavian banks

MARY ANN SIEGHART

AFTER THE Germans, Scandinavian banks form the largest contingent of foreign banks in Luxembourg. Although changes in domestic regulations have removed their original incentive to set up there, other attractions of the Grand Duchy mean that they are unlikely to leave.

Most Scandinavian countries in the 1970s had regulations which prohibited domestic banks making loans in foreign currencies to domestic companies. The banks' reaction was to set up Luxembourg subsidiaries and book loans from there.

First foray

Geographically, Luxembourg is much more central than Scandinavia for conducting European and international operations. Many Scandinavian banks went to Luxembourg as their first foray abroad, before trying out London.

As Bjorn Westberg, managing director of the Swedish PKBanken International's Luxembourg subsidiary, says: "Luxembourg is a good banking environment. The authorities are knowledgeable and good to work with and it's a good financial marketplace. One of the advantages is the relative lack of restrictions."

Compared with those in Sweden, Luxembourg's rules are much more relaxed. The most important is the capital-asset ratio—8 per cent in Sweden and only 3 per cent in Luxembourg. That means that for every $1 of capital banks in Luxembourg can lend $33.33 compared with $12.50 in Sweden.

Unlike some of its competitors PKBanken has shunned the general rush into private banking. Its activities are entirely wholesale—foreign exchange business, medium- and short-term lending, both internationally and to Swedish companies, guarantees, cash management for Swedish subsidiaries and general interbank business. It has a few deposits from companies and private individuals but it does not offer portfolio management and only takes big volumes.

About 50 per cent of PKBanken's balance sheet is Swedish-related and Westberg says: "Our main aim is to lend to and assist Swedish companies. We are a Swedish bank and we're capable of developing all sorts of things but our roots of origin are in Sweden and we must not forget that."

Scandinaviska Enskilda Banken (Luxembourg) finds its business is even more Swedish-orientated—at least 70 per cent of is total loan portfolio has a Swedish content. Bengt Senneby, its managing director, says: "We have no difficulty finding enough business to fill up that 70 per cent."

Enskilda too has no plans to venture into private banking. Its potential market is simply too small. Swedish residents are not allowed to invest abroad because of exchange control restrictions and there are not enough Swedish expatriates to justify the expense of setting up a private banking operation.

"It's a very staff-consuming thing," says Senneby, "and it's not profitable in small volumes. We might have difficulties getting the big volumes."

Like PKBanken, Enskilda is involved mainly in medium-term credits — some, unfortunately, to Brazil and Mexico. It also has a fully-fledged foreign exchange department which funds the credits and does professional arbitrage. The bank specialises in Swedish, Danish and Norwegian kroner, with particular emphasis on the Swedish currency.

Growing signs

There are growing signs in Sweden that foreign subsidiaries of banks may have to "consolidate" with their parents. This would mean that they would be subject to the same capital-asset ratio as domestic banks.

This would obviously be a blow to banks such as Enskilda, but Senneby still thinks there are enough other reasons to stay in Luxembourg. "This is a very big market in foreign exchange and that you can never take away from Luxembourg because it has established itself as a financial centre," he says.

"We have no plans whatsoever to withdraw from Luxembourg. Of course tha big expansion period is over but there are still 115 banks here. Wa are very profitable and much of that business could not be done from Sweden."

The relationship with the banking authorities is also very good: "They realise that if they want to keep the banks here they have to be flexible. And if you want to meet the Prime Minister or the Finance Minister you just 'phone him and you'll have an appointment within a couple of days. You know them and they know you—that's the advantage of such a small place."

Other Scandinavian banks have joined the bandwagon of private banking in an effort to justify their presence in Luxembourg. Den norske Creditbank, for instance, has affirmed its commitment to the place by building a six-storey office block out of imported Norwegian stone and furnished with Norwegian wood. It has now diversified into private banking and bond dealing.

The Danish PRIVATbanken has found that there is a huge pool of Danish expatriates living mainly in Spain, who have a stock of wealth and want to be able to live comfortably off their income. Swiss banks are all very well but they don't speak Danish or understand the Danish system. Some Danish clients have apparently moved their accounts from Swiss to Luxembourg banks.

Until about two years ago the business in trade loans to Denmark was booming but that is now levelling off and the logical direction of diversification is into private banking for Danish customers.

Some of the Danish banks have realised that this could be their forte. As one Danish banker says: "The future is very bright for some Danish banks because the demand for private client business is enormous. Most of the banks in this country are "niche" banks. We try to find a corner where we think we are better than the others and stay there. Luxembourg is unique in that sense."

Almost a third of the 8,700 people who work in Luxembourg banks are foreigners. In this article **David White**, a senior executive of the European Investment Bank who has lived in Luxembourg for ten years, gives a personal view of life as an expatriate in the Grand Duchy

Agreeable mix of many nationalities

"YOU MAY come from Belgium, France or Prussia," goes a line in the Luxembourg national anthem, "we will show you our country, but we want to remain what we are."

This concern with protecting national identity is understandable. Powerful neighbours overran the country 22 times in two centuries. So allergic is Luxembourg to the sight of invading uniforms, they say, that all village dogs bark at postmen.

Today it is not military might which brings pressure for change but the so-called "peaceful invasion." Out of a state population of 365,000, well over a quarter — more than 100,000 —are foreigners. There is a disastrously low birth rate among Luxembourgers themselves (they chalk up a solid annual surplus of coffins over prams although more than 95 per cent of them are Catholics) so the muscle for the country's development has come progressively more from foreign countries. There are, the Italians manning the steelworks in the south of the country, followed by the Portuguese who seem to have taken over most building labour and craft work, and lesser numbers of French, Spanish, Yugoslavs, etc. Then, draped like a Joseph's coat of nationalities, are the European civil servants and the burgeoning bank and financial services community.

Always balancing finely on the border between Latin and Germanic cultures (the restaurants, incidentally, express this by serving up German quantities of French quality food!), Luxembourg has become an ethnic experiment without parallel in Europe. Around 37 per cent of the workforce are foreigners. More than half the kindergarten and primary school places are taken by foreign children. Several city areas and satellite villages are predominantly foreign. Our family lives in a small development of 15 homes: three are occupied by Luxembourg families, the rest by Belgians, Danes, French, Germans and Icelanders. Previously we lived in a flat; the neighbours were Danish and Japanese. To be foreign here is nothing exotic. It's routine.

To the credit of the Luxembourgers, all this has taken place with remarkably little social friction (none of the xenophobia which periodically surfaces among sectors of Swiss public opinion) and in ten years here I have never been conscious either of overt racism, of looking downwards at the poorly paid immigrants doing most of the menial jobs, or of resentment at the well-heeled bankers and Community personnel.

Curiously enough, the absence of a university in Luxembourg has probably encouraged this tolerance. Anybody going on to university studies must go outside the Duchy. This is a handicap in that it drains away the most effervescent segment of the population (you only have to go down the motorway to Nancy in France or across the German border to Trier to note the youthful, lively difference) but it also has a positive aspect. Part of the mental baggage which Luxembourg students pick up (2,400 are currently studying abroad) is an understanding of what it is like to be a foreigner in another country.

"If we were all to be born, do our studies, work and die within our 999 square miles, then we would be narrow-minded," a Luxembourg friend told me. "I think it is a positive point that if we want to study we are forced to have broader views. It adds to our European-mindedness."

For all this, however, integration is often felt to be difficult by those who settle here. Not in the first few months, because nearly every newcomer goes through initial enchantment with Ruritania rediscovered . . . the picture postcard Luxembourg of ruined battlements, cobblestoned alleyways, the ceremonial processions of a Lilliputian army (composed more of buglers than riflemen) I'm told there is no artillery range because the shells would probably fall in France, Germany or Belgium). Not even the gleaming bank headquarters or the Community buildings impinge too much upon the pervading quaintness.

But this tends to dim rather quickly, once the more obvious attractions are seen for the fifth time. A polite critic might say the place is "undramatic" or "monochrome." More bluntly, a respected business and finance magazine recently commented: "Luxembourg is a by-word for dullness."

'. . . a capital the size of Winchester, in a state no bigger than an average English county.'

But just how fair are such remarks? "If you mean we have no murders, rapes and strikes, little commotion and noise, then we admit to being dull," a Government official told me (the last strike worth the name, incidentally, was in 1969). "But we enjoy life in our own way. We still have a capital city on a human scale: you can go to work each day without getting nervous and honking the horn in interminable traffic jams. You can go home for lunch and talk with your wife and children. Fields and forests are a stone's throw in any direction. Sorry if it isn't exciting."

This is, of course, the dichotomy of Luxembourg; a capital the size of Winchester, in a state no bigger than an average English county; reluctant on the one hand to lose the precious elements of small town identity but on the other increasingly judged by, and expected to live up to, the standards of an international arena; the home of summits and ministerial meetings and a major financial services centre.

The problem of "dullness" tends to be a stock theme of after-dinner conversation. There are a number of people in the international community who live for the weekends to fly, drive or train it way, who know every cat's eye on the road back to Calais or sleeper on the track to Milan. Yet many of the grumblers probably say as much about the critics as the criticised. Living in a small town need not be an underprivileged experience but it demands more personal input than in a big city. There is less automatically laid on, more to be organised or depending at least upon active participation.

In any case, look twice and Luxembourg's quietness is deceptive. The country boasts a surprising variety of local organisations, hobby clubs of every kind and is sports-minded, with fine facilities. It is, moreover, certainly open to new initiatives.

'. . . variety of local organisations, hobby clubs of every kind . . . sports-minded, with fine facilities.'

An active drama group here—the New World Theatre Club—is run by expatriate Britons and Americans, together with a few Luxembourgers and Danes, who instead of impotently complaining of a lack of live entertainment in English, decided to do something to their own liking by raising the curtain on Noel Coward, Oscar Wilde, Tom Stoppard. Recently they put on Gershwin's "Girl Crazy" and made it to the national theatre. A rival group competes with Gilbert and Sullivan's favourites. On a different tack an environmental protection group played a very active role in safeguarding the charm of the villages. This was organised at the initial inspiration mainly of foreign residents but has received warm support from local people. Thanks to a Yorkshireman, Luxembourg has its own darts league too.

More formally, the city itself has been quietly pushing ahead, upgrading its cultural image. For 85,000 people, it boasts cinemas with a total of nine auditoriums, four cafe-cabarets, 13 entertainment halls and one large theatre, as well as many art galleries.

Cultural life is expressed mainly in French and German (the main national newspaper is printed in a haphazard mixture of both — readers are assumed capable of continously switching languages from the front page to the small ads). French is the official language of administration, jurisdiction and Parliament. English is widely spoken. But it is undeniably easier to integrate if one makes the effort to learn something of the mother tongue of Luxembourgers, a curious Moselle-Frankish dialect, blended with German and French elements. Without this you are barred from much of the everyday, gossipy pleasures and restricted to a certain formality in contacts.

"We enjoy speaking many languages. We grow up with this in the schoolyard. But it makes a considerable difference if a foreigner takes the trouble to speak our own language. It pleases Luxembourgers," said a civil servant head, who has to make sure the staff of his own office can also deal with enquiries in Italian and Portuguese, on top of Luxemburgish, French, German and English.

The present American Ambassador has gone down well by speaking fluent Luxemburgish. The Government has released fairly substantial sums to promote the teaching of the language and there is growing interest particularly among the wives of businessmen and Community officials.

The linguistic stumbling block partly explains what many foreigners feel to be a reserved attitude on the part of Luxembourgers. I've heard it said that the aim for a national character is to be diligent like the Germans, witty like the French and friendly like the Belgians. What comes out appears, at least on brief acquaintance, as leaning a little towards the dour, with a slightly uncomfortable love of the prim and proper.

See the tidy, Luxembourg housewives scrubbing the pavement in front of their house and airing the bed linen over the windowsills in a virtuous display of cleanliness.

But like so much else in Luxembourg, scratch beneath the surface and you find things aren't quite what they seem. While it takes time to break the ice ("we have seen so many foreigners come and go that we wait a while before we commit ourselves. Anyway, history has taught us to be careful," a friend told me), once you make a friend it's a good one, one you can count on.

Hospitality in a Luxembourg home knows no bounds. Everything must be done with full honours: the finest food, grandmother's crystal and silverware. It isn't ostentation but a deep feeling that anything less would be lacking in politeness and respect.

Perhaps weather also helps to form national personality. British phlegm, after all, is the only rational defence against a totally unpredictable climate. In Luxembourg, where you can usually count on eight months of central heating per year and enough grey, misty drizzle to cure homesickness in a Mancunian, it is hardly surprising if people appear a little reserved and private. Indeed, although burglars are rare, every house is equipped with the most solid of shutters, usually all locked up by about 8 pm, imparting a blind melancholy to the streets.

Given sunshine, however, things change. This summer has been magnificent, the statistical exception to the rule, and it has been strange to see a temporary softening in behaviour . . . panama shirts, car windows open, radios blaring, girls wearing progressively less, and finally topless on the country's only beaches, up by the boatinglake at Esch-sur-Sûre. Perhaps inside every Luxembourger there is a secret Neapolitan struggling to spring out.

One major compliment — almost without price if you are living abroad — is the aproachability of officialdom. The Government departments, the Post Office, the town council publish in the phone book the names, numbers and extensions of everybody exercising any real responsibility. The story goes that an American here got through to the Minister of Transport to discuss the pothole in the road in front of his house. Things which take weeks, months or worse in other national administrations, can still take place in Luxembourg in one or two days. Transparency and democracy in administration mean a lot.

Housing is of a high standard and centuries of erecting battlements show through even today in the solidity of construction (puzzling, though, to see so many acres of marble in such a climate). The cost — either purchase or rent — depends upon your point of reference: reasonable if compared with most capital cities, but decidedly expensive if set beside towns of a similar size. Rentable property is in the hands of many small landlords. My own experience, and that of most colleagues, is that they are fair and not too bothersome.

Education revolves around the European School for children of the Community and diplomatic personnel. There are streams in the seven EEC official languages and all children are expected to learn two or three languages in addition to their own. The school's baccalaureat is recognised by universities throughout the community.

Luxembourg's own school system starts in German but adds French from second-year primary onwards. Education then continues simultaneously in the two languages. There are often seven or eight nationalities in one class but it does not seem to affect the quality of schooling. Even a few of the Community people prefer the Luxembourg schools which they find socially more balanced (sons of firemen with daughters of directors) and certainly better from the point of integrating their children into the country. There is also an American school.

For anybody accustomed to Britain's NHS, the medical system here comes as a dose of free enterprise. You choose the doctor you want (the telephone directory lists them by 29 main categories of ailments) and if you are not satisfied you go to another.

We ourselves have had two children born in Luxembourg, the usual round of minor operations and illnesses. The experience has by no means been difficult (the hospitals are remarkably formality-free), but you come across a fair number of expatriates who retain a strange nationalism as far as health is concerned and who insist on going back to Paris for a toothache or to London for water on the knee.

'It's a place where you can live decently, with, so far, few of the problems of big cities.'

In the shops service is rigorously honest; yesterday someone telephoned me to apologise for overcharging by 5 francs (6p) on a bill of almost 3,500 francs. But it is often peculiarly detached and lacklustre. Only recently have some shops begun to keep open at lunchtime. It seems sometimes that you have to convince shop assistants or car salesmen to show you the goods, then belay them a second time to let you know the optional extras.

However, the choice of goods is far more than you would expect in a town this size and the profusion of jewellers, furriers, crystalware and modish boutiques bears evidence of the general prosperity. Around the city there are a number of supermarkets, which is a rather anaesthetised way of going shopping but the standards are good and the pricing policy generally keen.

At the end of an article like this one needs some exotic universally accepted algebraic formula into which you can throw all the social, economic, geographical and climatic factors and come out with a nice, simple equation like Luxembourg=X on the livability scale.

My pocket calculator unfortunately doesn't run to it. But if I trust my personal idiosyncracy and admittedly highly subjective views after 10 years here, then I'm bound to say Luxembourg comes out quite well. It's a place where you can live decently, with, so far, few of the problems of big cities. I have quite a lot of affection for these few square kilometres.